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Application Proof of

Octillion Energy Holdings, Inc.

幂源科技控股有限公司

(the “Company”)

(Incorporated in the Cayman Islands with limited liability)

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Octillion Energy Holdings, Inc. 幂源科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under : [REDACTED] Shares (subject to the
the [REDACTED] [REDACTED])
Number of [REDACTED] : [REDACTED] Shares (subject to
adjustment)
Number of [REDACTED] : [REDACTED] Shares (subject to
adjustment and the [REDACTED])
[REDACTED] : HK\$[REDACTED] per [REDACTED],
plus brokerage of 1.0%, SFC
transaction levy of 0.0027%, the Stock
Exchange trading fee of 0.00565% and
AFRC transaction levy of 0.00015%
(payable in full on application in Hong
Kong dollars and subject to refund)
Nominal Value : US\$0.0001 per Share
[REDACTED] : [REDACTED]

Joint Sponsors and [REDACTED]



[REDACTED], [REDACTED] and [REDACTED]

[LOGO(S)]

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Prior to making an investment decision, [REDACTED] should consider carefully all of the information set forth in this document, including the risk factors set forth in the section headed "Risk Factors."

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[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO INVESTORS

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	<i>Page</i>
Expected Timetable	i
Contents	iv
Summary	1
Definitions	15
Glossary	28
Forward-Looking Statements	32
Risk Factors	33
Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance	85

CONTENTS

Information About This Document and the [REDACTED]	91
Directors and Parties Involved in the [REDACTED]	95
Corporate Information	100
Industry Overview	102
Regulatory Overview	115
History, Reorganization and Corporate Structure	137
Business	197
Connected Transactions	301
Directors and Senior Management	306
Substantial Shareholders	326
Share Capital	330
Financial Information	334
Future Plans and [REDACTED]	411
[REDACTED]	415
Structure of the [REDACTED]	426
How to Apply for [REDACTED]	437
Appendix I – Accountant’s Report	I-1
Appendix II – Unaudited [REDACTED] Financial Information	II-1
Appendix III – Summary of the Constitution of the Company and Cayman Islands Company Law	III-1
Appendix IV – Statutory and General Information	IV-1
Appendix V – Documents Delivered to the Registrar of Companies and Available on Display	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this document. You should read the whole document including the appendices hereto, which constitute an integral part of this document, before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

We are a passenger electric vehicle, or EV, battery system developer in China, with operations in India and the United States. We primarily design, manufacture and sell tailor-made battery systems for EVs and, to a lesser extent, energy storage solutions and battery management systems, or BMS. In 2023, we were ranked as the fourth largest EV battery system provider for passenger battery electric vehicles, or BEVs, in China by shipment unit with a market share of 5.1%, according to the F&S Report. Within the passenger BEV market, we were the largest EV battery system provider for A00 size passenger BEVs in China by shipment unit, which is a segment that accounted for approximately 19% of total passenger BEV sales volume in China in 2023, according to the F&S Report. By April 30, 2024, our battery systems had powered over 1.5 million EVs in China, including approximately 30% of A0/A00 size passenger BEVs in China in 2023, according to the F&S Report.

While we continue to benefit from the expansion of the EV market in China, which is expected to grow at a CAGR of 19.2% from 2024 to 2028, we have also identified markets with substantial growth potential outside of China. In particular, our business has expanded into the fast-growing non-passenger BEVs, such as buses and trucks, as well as special purpose vehicles, construction machinery and marine applications, such as sail boats, waste management trucks and cold chain trucks, in India and the United States. We believe we will continue to capture a significant portion of the large and fast-growing EV market.

BUSINESS MODEL

As an EV battery system solutions provider, we enable downstream and upstream EV value chain players by addressing their needs. For our major EV OEM customers, we function as a one-stop-shop of competitive and tailored EV battery systems with various battery cells that also enables competitive safety, cost and time-to-market standards. For battery cell manufacturers, we enable them to rely on our product development and manufacturing capability to sell their battery cells, within our EV battery systems, to a wider group of customers. By partnering with battery cell manufacturers, we leverage on each other's strengths and networks.

PRODUCTS

We primarily design, manufacture and sell tailor-made products customized to satisfy the requirements of the specific industrial sector and needs of our customers. This includes EV battery systems, and to a lesser extent, auxiliary products including energy storage solutions and BMS in China and overseas. We also provide EV battery system engineering services to customers on an as-needed basis.

EV Battery Systems

We provide a full range of tailor-made battery system solutions to our customers. In particular, we offer EV battery systems for a wide array of battery cells comprising various battery chemistries, including lithium iron phosphate, or LFP, and high specific energy density cells, and of different form factors, including cylindrical and prismatic battery cells. Our EV battery systems also have a wide application across electric passenger, commercial and other EVs, including BEVs, plug-in hybrid electric vehicles, or PHEVs, and hybrid electric vehicles, or HEVs.

As an EV battery system solutions provider, we strive to explore different business models to address the specific needs of different EV value chain players. We develop tailor-made battery systems compatible to their EVs. Under this arrangement, we are responsible for procuring the raw materials, including battery cells, which comply with the

SUMMARY

prescribed specifications. On the other hand, we have increasingly entered into arrangements with EV OEM and battery cell manufacturer customers where they procure battery cells directly from the manufacturers or provide by themselves, while we are responsible for procuring the other non-battery cell materials. We also, to a much smaller extent, enter into battery assembly partnerships with select customers on an as-needed basis, where our customers source both battery cells and other non-battery cell materials (such as casing, harness and ICs). Revenue from battery assembly partnerships is recognized under EV battery systems without procurement of battery cells. These arrangements where our customers source battery cells directly alleviate us from concerns of the credit risk of customers and warranty liability, and allow us to focus our core competency of developing customized EV battery systems. During the Track Record Period, our sales of EV battery systems under both business models, namely with and without procurement of battery cells, covered China, India and the United States. For further details of our revenue recognition of the two business models, see the section headed “Financial Information — Critical Accounting Policies and Estimates — Revenue Recognition.”

Other Products

Apart from our EV battery systems, our product portfolio also includes auxiliary products:

- **Energy storage solutions.** Energy storage solutions are an indispensable part of the renewable power generation solution set. We design and build a range of customized lithium-ion battery energy storage products to address variable commercial, grid-related and residential needs. Our energy storage solutions can be used for electricity energy storage in the generation, transmission, and distribution process of electricity. They cover supporting equipment for a wide range of applications, including large-scale solar or wind power generation energy storage, grid energy storage, industrial parks, commercial buildings and data centers, energy storage charging stations, communication base stations, backup power supplies and household energy storage.
- **BMS.** In addition to designing BMS as part of the battery systems we develop for customers, we also sell BMS as a separate product to certain customers on an as-needed basis. Our BMS offers a complete solution for monitoring and controlling complex battery systems to ensure they operate at optimal performance while safely maintaining ideal operating conditions.

We have grown significantly during the Track Record Period. The following table sets forth the financial breakdown by product line and the financial breakdown from EV battery systems by business model for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	<i>(unaudited)</i>			
EV battery systems										
With procurement of battery cells ⁽¹⁾	2,222,321	86.6	4,481,370	80.4	1,931,612	60.8	342,956	67.9	515,017	54.2
Without procurement of battery cells ⁽²⁾	302,908	11.8	1,066,423	19.1	1,147,784	36.1	137,232	27.1	389,667	41.1
	<u>2,525,229</u>	<u>98.4</u>	<u>5,547,793</u>	<u>99.5</u>	<u>3,079,396</u>	<u>97.0</u>	<u>480,188</u>	<u>95.0</u>	<u>904,684</u>	<u>95.3</u>
Others ⁽³⁾	41,432	1.6	26,579	0.5	96,574	3.0	25,153	5.0	44,715	4.7
Total	<u><u>2,566,661</u></u>	<u><u>100.0</u></u>	<u><u>5,574,372</u></u>	<u><u>100.0</u></u>	<u><u>3,175,970</u></u>	<u><u>100.0</u></u>	<u><u>505,341</u></u>	<u><u>100.0</u></u>	<u><u>949,399</u></u>	<u><u>100.0</u></u>

Notes:

- (1) Under this business model, we are responsible for procuring the raw materials, including battery cells.
- (2) Under this business model, our customers are responsible for procuring or providing the battery cells and, in some cases, other non-battery cell materials.
- (3) Mainly includes revenue from the engineering services, sales of energy storage solutions, BMS and materials.

SUMMARY

The following table sets forth the breakdown of our revenue by geographic area for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							<i>(unaudited)</i>			
China	2,496,910	97.3	5,443,993	97.7	2,289,185	72.0	394,589	78.1	532,117	56.0
India	56,733	2.2	90,178	1.6	824,817	26.0	101,118	20.0	397,234	41.9
United States	13,018	0.5	40,201	0.7	61,968	2.0	9,634	1.9	20,048	2.1
Total	2,566,661	100.0	5,574,372	100.0	3,175,970	100.0	505,341	100.0	949,399	100.0

The following table sets forth the breakdown of gross profit and gross profit margin by geographic area for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2021		2022		2023		2023		2024	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
							<i>(unaudited)</i>			
China	221,471	8.9	435,020	8.0	361,030	15.8	52,683	13.4	110,843	20.8
India	2,545	4.5	4,760	5.3	150,871	18.3	18,988	18.8	5,220	1.3
United States	9,078	69.7	17,344	43.1	30,175	48.7	2,369	24.6	11,903	59.4
Total	233,094	9.1	457,124	8.2	542,076	17.1	74,040	14.7	127,966	13.5

For details of the analysis of gross profit margin by geographic area during the Track Record Period, see the section headed “Financial Information — Description of Selected Consolidated Statement of Comprehensive Income Line Items — Gross Profit and Gross Profit Margin — By geographic area.”

ENGINEERING, DESIGN AND DEVELOPMENT

Engineering, design and development, or EDD, is one of our core competencies. We have developed our own specialized technologies to customize EV battery systems with outstanding safety and cost standards, including (i) our platform-based engineering and manufacturing model, which allows us to offer EV battery systems with a wide variety of battery cells comprising different chemistries and form factors; (ii) our bipolar encapsulated structure technology, or BEST, which mitigates thermal runaway propagation and significantly improves the safety level of high specific energy density battery systems. The probability of propagation of thermal runaway of our EV battery systems is less than 1%, which is significantly lower than the industry average of approximately 10%, according to the F&S Report; and (iii) our multifunctional unitized structure technology, or MUST, which eliminates modules, reduces components and connections within an EV battery system and achieved a significant cost reduction of approximately 10% compared to the industry average, according to the F&S Report. Our success depends in part on our ability to obtain and maintain protection for our products, technology and know-how. For further details of our key patents, see the section headed “Business — Intellectual Property.”

MANUFACTURING

We have created flexible, scalable and cost-efficient manufacturing processes that enable us to achieve higher performance, safety standards and packing efficiency for EV battery systems, while lowering packing costs. Our facilities are strategically located in close proximity to select customers, to ensure responsiveness, enhance manufacturing efficiency and

SUMMARY

reduce transportation costs. Furthermore, our manufacturing processes allow us to meet the strict demands of our customers in terms of quantity, quality and delivery time. We can achieve a six to nine months design-to-suit cycle with our flexible technology platforms and a three to four months ramp-up cycle with our in-house manufacturing process and equipment. This is significantly shorter than the industry average of approximately 12 months design-to-suit cycle and six to eight months ramp-up cycle, according to the F&S Report. The manufacturing process of a typical EV battery system involves battery module assembly and encapsulation, battery system integration and final integration and various testing processes. We have five manufacturing facilities in China and two manufacturing facilities in India. We use various production techniques and equipment in our manufacturing process, such as direct cell to enclosure placement and preloading process, special gluing equipment, high-precision plunger pump and screw valve combination, visual positioning function, multibeam laser welders with tunable power output and welding parameters and automated encapsulation with flexible encapsulant recipes, dispensing profiles and parameters, and our Manufacturing Execution System. For further details, see the section headed “Business — Manufacturing.”

COMPETITIVE STRENGTHS AND BUSINESS STRATEGIES

We believe that the following strengths have contributed to our success: (i) a passenger EV battery system supplier in China offering customized and consistently high quality products; (ii) engineering, design and development capabilities; (iii) strong partnerships with downstream and upstream players within the EV value chain; and (iv) experienced and committed management team backed by strong investor base. For further details, see the section headed “Business — Competitive Strengths.”

We plan to implement the following strategies: (i) further advancing our technologies; (ii) expanding our manufacturing capabilities; (iii) developing new relationships and expanding our product portfolio; and (iv) developing flexible partnership models to further cement our unique proposition to different EV value chain players. For further details, see the section headed “Business — Business Strategies.”

CUSTOMERS AND SUPPLIERS

We are focused on maintaining and strengthening our relationships with major customers, which were methodologically selected to maximize our business opportunities. Our sales and marketing department is responsible for establishing and maintaining relationships with our customers as well as identifying new business opportunities. All of our sales were conducted through direct sales and we had not engaged any distributors for the sale of our products during the Track Record Period.

Our customers primarily include EV OEMs, most of which are first and second tier-brand car manufacturers with leading position in the A0 and A00 size EV markets, and battery cell manufacturers according to the F&S Report. Our top five customers in each year/period during the Track Record Period accounted for 96.4%, 97.4%, 88.0% and 89.5% of our total revenue for the respective years. Our top customer in each year/period during the Track Record Period, namely Customer A, Customer A, Customer B and Customer D, respectively, accounted for 47.6%, 46.0%, 26.1% and 39.7% of our total revenue for the respective year/period during the Track Record Period.

During the Track Record Period, the revenue contribution from India increased significantly which was primarily attributable to Customer D, a leading Indian EV manufacturer, and is expected to continue to increase along with our international expansion. We will continue to strengthen our local presence and invest in enhancing local manufacturing and EDD capabilities. For further details, see the sections headed “Business — Business Strategies — Developing new relationships and expanding our product portfolio” and “Business — Business Sustainability.”

We maintain strong relationships with our suppliers to secure stable sources of raw materials and components. Our top five suppliers in each year/period during the Track Record Period, all of which were Independent Third Parties, accounted for 60.7%, 66.9%, 62.5% and 40.4% for the respective year/period, and our top supplier in each year/period during the Track Record Period, namely Supplier A, Supplier A, Supplier F and Supplier H, accounted for 26.9%, 24.8%, 27.9% and 13.4%, of our total purchases for the respective year/period.

SUMMARY

Given battery cell partners’ battery system needs and customers’ designations, there were occasions where we have sourced products from our customers or sold products to our suppliers. According to the F&S Report, it is common in the industry to have overlapping customers and suppliers. We believe such arrangements are in line with our commercial interests. One of our top five customers in each year/period during the Track Record Period was also our supplier. In addition, out of our top five suppliers in each year/period during the Track Record Period, four of our suppliers were also our customers. For further details, see the section headed “Business — Raw Materials and Supplier — Overlapping Customers and Suppliers.”

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of our combined financial information for the Track Record Period and should be read together with the Accountant’s Report in Appendix I to this document, including the accompanying notes and the information set forth in the section headed “Financial Information” in this document.

Selected Consolidated Statements of Comprehensive Income

	Year ended December 31,						Four months ended April 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Revenue	2,566,661	100.0	5,574,372	100.0	3,175,970	100.0	505,341	100.0	949,399	100.0
Cost of revenues	(2,333,567)	(90.9)	(5,117,248)	(91.8)	(2,633,894)	(82.9)	(431,301)	(85.3)	(821,433)	(86.5)
Gross profit	233,094	9.1	457,124	8.2	542,076	17.1	74,040	14.7	127,966	13.5
Selling and marketing expenses	(61,544)	(2.4)	(91,284)	(1.6)	(70,852)	(2.2)	(20,805)	(4.1)	(26,494)	(2.8)
Research and development expenses	(103,755)	(4.0)	(150,646)	(2.7)	(250,175)	(7.9)	(54,532)	(10.8)	(77,317)	(8.1)
Administrative expenses	(88,344)	(3.4)	(96,434)	(1.7)	(145,297)	(4.6)	(32,636)	(6.5)	(62,788)	(6.6)
Net impairment reversal/(losses) on financial assets	1,429	0.1	707	0.0	(11,338)	(0.4)	(1,315)	(0.3)	(305)	(0.0)
Other income	7,983	0.3	18,441	0.3	22,273	0.7	6,235	1.2	5,668	0.6
Other gains/(losses), net	1,087	0.0	(16,989)	(0.3)	(17,669)	(0.6)	(3,682)	(0.7)	(6,376)	(0.7)
Operating (loss)/profit	(10,050)	(0.4)	120,919	2.2	69,018	2.2	(32,695)	(6.5)	(39,646)	(4.2)
Changes in the fair value of financial instruments at fair value through profit or loss	(11,403)	(0.4)	470	0.0	2,362	0.1	496	0.1	706	0.1
Finance (costs)/income, net	(43,430)	(1.7)	(10,985)	(0.2)	447	0.1	(1,094)	(0.2)	590	0.1
(Loss)/profit before income tax	(64,883)	(2.5)	110,404	2.0	71,827	2.3	(33,293)	(6.6)	(38,350)	(4.0)
Income tax (expense)/benefit	(1,033)	(0.0)	(2,403)	(0.0)	(12,657)	(0.4)	3,865	0.8	11,214	1.1
(Loss)/profit for the year/period	(65,916)	(2.6)	108,001	1.9	59,170	1.9	(29,428)	(5.8)	(27,136)	(2.9)
(Loss)/profit for the year/period attributable to:										
Equity owners of the Company	(56,193)	(2.2)	100,633	1.8	53,246	1.7	(37,995)	(7.5)	(29,117)	(3.1)
Non-controlling interests	(9,723)	(0.4)	7,368	0.1	5,924	0.2	8,567	1.7	1,981	0.2

Non-IFRS measure

To supplement our consolidated statements of profit or loss that are presented in accordance with IFRS, we also use adjusted net profit/loss and adjusted EBITDA as non-IFRS measures, which are not required by or presented in accordance with IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impacts of certain items. We believe that these non-IFRS measures provide useful information to investors and others in understanding and evaluating our consolidated statements of profit or loss in the same manner as they help our management.

SUMMARY

However, our presentation of these non-IFRS measures may not be comparable to similar measures presented by other companies. The use of these non-IFRS measures have limitations as an analytical tool, and you should not consider them in isolation from, or as substitutes for analysis of, our consolidated statements of profit or loss or financial condition as reported under IFRS.

We define adjusted net profit or loss (non-IFRS measure) as profit or loss for the period adding back share-based compensation expenses and [REDACTED] expenses. We define adjusted EBITDA (non-IFRS measure) as profit or loss for the period adding back share-based compensation expenses, [REDACTED] expenses, net finance cost, income tax expenses and depreciation and amortization.

	Year ended December 31,			Four months ended April 30,	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
(Loss)/profit for the year/period	<u>(65,916)</u>	<u>108,001</u>	<u>59,170</u>	<u>(29,428)</u>	<u>(27,136)</u>
Add:					
Share-based compensation expenses ⁽¹⁾	13,309	3,428	50,567	368	22,936
[REDACTED] expenses ⁽²⁾	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net (loss)/profit (non-IFRS measure)	<u>(43,413)</u>	<u>128,870</u>	<u>133,365</u>	<u>(22,535)</u>	<u>11,832</u>
Adjusted net (loss)/profit (non-IFRS measure)	(43,413)	128,870	133,365	(22,535)	11,832
Add:					
Finance costs/(income), net	43,430	10,985	(447)	1,094	(590)
Income tax expenses/(benefit)	1,033	2,403	12,657	(3,865)	(11,214)
Depreciation and amortization	35,453	52,107	68,189	20,570	36,948
Adjusted EBITDA (non-IFRS measure)	<u>36,503</u>	<u>194,365</u>	<u>213,764</u>	<u>(4,736)</u>	<u>36,976</u>
EBITDA margin (non-IFRS measure) (%)	<u>1.4</u>	<u>3.5</u>	<u>6.7</u>	<u>(0.9)</u>	<u>3.9</u>

Notes:

- (1) Share-based compensation expenses are non-cash in nature and mainly represent fair values of share options granted to our employees. Share based-compensation is not expected to result in future cash payments.
- (2) [REDACTED] expenses are related to the [REDACTED].

Summary of selected consolidated statements of comprehensive income

We had a net losses of RMB65.9 million, RMB29.4 million and RMB27.1 million in 2021 and the four months ended April 30, 2023 and 2024, respectively, and net profits of RMB108.0 million and RMB59.2 million in 2022 and 2023, respectively. Our net loss in 2021 was primarily due to significant amounts of cost of revenues, research and development expenses and administrative expenses because (i) we were ramping up our business in 2021 and lacked the scale necessary to reach profitability; and (ii) we invested in EDD, marketing and infrastructure to support the long-term growth of our business. Our net profits in 2022 and 2023 were achieved primarily as a result of (i) growth of our customer base with 18, 10 and 13 new EV battery system customers during each year in the Track Record Period; (ii) product mix optimization, from developing battery systems with cylindrical NCM/NCA battery cells to using battery cells with different form factors and chemistries; (iii) end market expansion from

SUMMARY

A00 size passenger BEVs to A0, A and above segments; and (iv) expansion into specific markets within underserved regions with substantial growth potential, including India and the United States. The net losses in the four months ended April 30, 2023 and 2024 were primarily due to (i) lower demand for EVs in China at the beginning of the year as demand is generally higher at the end of the year; (ii) issuance of share-based compensation in June 2023; and (iii) a decrease in revenue contribution from EV buses in India in the four months ended April 30, 2024 due to government election cycle.

Revenue decreased by 43.0% from RMB5,574.4 million in 2022 to RMB3,176.0 million in 2023 primarily because (i) the sales contribution from EV battery systems without procurement of battery cells increased, which were of much lower average unit price as compared to EV battery systems with procurement of battery cells; (ii) EV OEMs raised their inventory level at the end of 2022 in anticipation of increase in market demand, leading to low manufacturing activities and in turn reduced purchase orders to us in the first half of 2023; (iii) the market price of battery cells decreased in 2023 which led to the decrease in our revenue of EV battery systems with procurement of battery cells; and (iv) lower than expected end market demand during the first half of 2023 due to weak macroeconomic conditions, partially offset by the increase in sales of battery systems in India in 2023. The increase in sales of battery systems in India was primarily a result of (i) our localized manufacturing capabilities; (ii) an increase in sales to Customer D; and (iii) our development of new customers. Revenue increased significantly by 117.2% from RMB2,566.7 million for the year ended December 31, 2021 to RMB5,574.4 million for the year ended December 31, 2022. This significant increase was mainly attributable to the growth in our sales of EV battery systems driven by the growth of EV market in 2022, partially offset by a decrease in sales of energy storage solutions and BMS.

Our gross profit margin decreased from 9.1% for the year ended December 31, 2021 to 8.2% for the year ended December 31, 2022. This decrease was mainly because raw material prices increased and accordingly, we raised the selling prices of our EV battery systems in 2022. Our gross profit margin increased from 8.2% in 2022 to 17.1% in 2023. This increase was primarily due to increases in revenue contribution from (i) sales of EV battery systems without procurement of battery cells which were of relatively higher gross profit margin because, when calculating gross profit margin of these sales, the cost of battery cells is excluded from both the revenue and cost of revenue; and (ii) sales in India, mainly driven by pricing with higher margin as the market was underserved. Our gross profit margin decreased from 14.7% for the four months ended April 30, 2023 to 13.5% for the four months ended April 30, 2024, which was primarily due to a decrease in revenue contribution from EV buses in India as a result of government election cycle.

Selected Consolidated Statements of Financial Position Data

	As of December 31,			As of
	2021	2022	2023	April 30, 2024
	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets	179,762	238,443	378,731	482,894
Total current assets	1,697,920	3,267,219	2,971,446	2,630,692
Total assets	1,877,682	3,505,662	3,350,177	3,113,586
Non-controlling interests	(13,240)	18,191	23,705	26,268
Total equity	239,558	445,555	542,304	542,132
Total non-current liabilities	128,892	195,379	205,025	237,848
Total current liabilities	1,509,232	2,864,728	2,602,848	2,333,606
Net current assets	188,688	402,491	368,598	297,086
Total liabilities	1,638,124	3,060,107	2,807,873	2,571,454

Our net current assets increased from RMB188.7 million as of December 31, 2021 to RMB402.5 million as of December 31, 2022, which was primarily due to the growth of our sales and business scale in 2022. Our net current assets decreased from RMB402.5 million as of December 31, 2022 to RMB368.6 million as of December 31, 2023, which was primarily due to a decrease in trade receivables as a result of the relatively lower customer demand in 2023, partially offset by a decrease in trade and other payables. Our net current assets decreased from RMB368.6 million as of December 31, 2023 to RMB297.1 million as of April 30, 2024, which was primarily due to a decrease in trade receivables as a result of our settlement of a relatively large amount of trade receivables during the four months ended April 30, 2024, partially offset by a decrease in trade and other payables.

SUMMARY

We had net assets of RMB239.6 million, RMB445.6 million, RMB542.3 million and RMB542.1 million as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively. The increase from December 31, 2021 to December 31, 2022 was primarily a result of (i) issuance of Series F Preferred Shares in the amount of RMB476.2 million as of December 31, 2021; and (ii) profit for the year ended December 31, 2022. Our net assets increased from December 31, 2022 to December 31, 2023 primarily due to profit for the year ended December 31, 2023. Our net assets remained stable from December 31, 2023 to April 30, 2024.

Selected Consolidated Cash Flow Data

	Year ended December 31,			Four months ended April 30, 2024
	2021	2022	2023	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from/(used in) operating activities	13,267	415,727	(608,894)	(528,323)
Net cash (used in)/generated from investing activities	(64,915)	(581,587)	(248,527)	120,301
Net cash generated from financing activities	429,786	124,367	851,240	389,795
Net increase/(decrease) in cash and cash equivalents	378,138	(41,493)	(6,181)	(18,227)
Cash and cash equivalents at the beginning of the financial year/period	81,640	460,787	450,578	450,173
Effects of exchange rate changes on cash and cash equivalents	1,009	31,284	5,776	1,091
Cash and cash equivalents at end of year/period	460,787	450,578	450,173	433,037

We recorded cash outflow from operating activities for 2023 and the four months ended April 30, 2024 as compared to our cash inflow from operating activities for each of 2021 and 2022. Net cash used in operating activities in 2023 of RMB608.9 million was primarily attributable to (i) an increase in recourse factoring arrangements of trade receivables, which were recorded in financing activities but not in operating activities; and (ii) a decrease in trade payables, which was in line with the trend of our business activities. Net cash used in operating activities in the four months ended April 30, 2024 primarily resulted from loss before income tax of RMB38.4 million, and was also attributable to negative movements in working capital which mainly reflected (i) an increase of RMB346.4 million in trade receivables and notes receivables; and (ii) a decrease of RMB246.7 million in trade payables and notes payable, offset by an increase of RMB102.0 million in inventories.

We intend to enhance our working capital efficiency to manage and improve our cash flow position primarily through the following measures:

- We expect our bargaining power to rise as we scale up our business, and we plan to negotiate more favorable terms with certain battery cell suppliers, including payment and credit terms, to better cover business cycles.
- We plan to reinforce our collection efforts of receivables and enhance our pre-engagement assessment of the creditworthiness and financial conditions of potential customers to ensure recoverability of trade and notes receivables. We also plan to convert our factoring of trade receivables with recourse rights in India to without recourse rights.
- We intend to improve our management protocol to optimize inventory levels by responding to changes in the demands of our customers in a more timely manner in terms of raw material procurement, manufacturing plans and delivery of finished goods.

SUMMARY

Our Directors are of the opinion that, taking into account (i) the financial resources currently available to us, such as our cash and cash equivalents, the proceeds from our Series F financing, the available bank financing, the anticipated cash inflows from operations, particularly in light of the estimated increase in sales volume of our products; and (ii) the estimated [REDACTED] from the [REDACTED], we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document.

Key Financial Ratios

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

	As of/Year ended December 31,			As of/Four months ended April 30, 2024
	2021	2022	2023	
Current Ratio ⁽¹⁾	1.1x	1.1x	1.1x	1.1x
Quick Ratio ⁽²⁾	1.0x	0.9x	0.9x	0.9x
Return on Assets ⁽³⁾ (%)	(3.5)	3.1	1.8	(0.9)
Return on Equity ⁽⁴⁾ (%)	(27.5)	24.2	10.9	(5.0)
Gross Profit Margin ⁽⁵⁾ (%)	9.1	8.2	17.1	13.5

Notes:

- (1) Current ratio is calculated by dividing total current assets by total current liabilities as of the dates indicated.
- (2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as of the dates indicated.
- (3) Return on assets is calculated by dividing profit/loss for the period by total assets as of the dates indicated and multiplied by 100%.
- (4) Return on equity is calculated by dividing profit/loss for the period by total equity as of the dates indicated and multiplied by 100%.
- (5) Gross profit margin is calculated by dividing gross profit by total revenue for the period and multiplied by 100%.

BUSINESS SUSTAINABILITY

Our revenue increased significantly from RMB2,566.7 million in 2021 to RMB5,574.4 million in 2022 and from RMB505.3 million for the four months ended April 30, 2023 to RMB949.4 million for the four months ended April 30, 2024. However, our revenue decreased by 43.0% from RMB5,574.4 million in 2022 to RMB3,176.0 million in 2023 primarily due to (i) shift of revenue model from selling EV battery systems with to without procurement of battery cells; (ii) EV OEMs raised their inventory level at the end of 2022 in anticipation of increase in market demand, leading to low manufacturing activities and in turn reduced purchase orders to us in the first half of 2023; (iii) the market price of battery cells decreased in 2023 which led to the decrease in our revenue of EV battery systems with procurement of battery cells; and (iv) lower than expected end market demand during the first half of 2023 due to weak macroeconomic conditions. Despite having substantially grown our business during the Track Record Period, our revenue was not always able to cover the various costs and expenses incurred. In particular, we recorded net losses of RMB65.9 million in 2021. Our loss-making position was primarily a result of our lack of scale as we ramped up our business to reach profitability and invested in scaling up our manufacturing capacity and enhancing our EDD capabilities in 2021. The net losses in the four months ended April 30, 2023 and 2024 were primarily due to (i) demand for EVs in China is generally higher at the end of the year but lower at the beginning of the year; (ii) issuance of share-based compensation in June 2023; and (iii) a decrease in revenue contribution from EV buses in India in the four months ended April 30, 2024 due to government election cycle.

SUMMARY

We achieved profitability in 2022 and 2023. This was achieved by growing our customer base, optimizing product mix, and end market and international expansions. We intend to continue to drive our revenue growth through the following measures:

- **Grow customer base.** Customer relationships are key to business growth. We have established long-term relationships with different industry players. During the Track Record Period, we had 55 EV OEM customers and 22 battery cell manufacturer customers or suppliers. We intend to capitalize on existing relationships and continue to attract new customers with our market leadership and track record.
- **Optimize product mix and expand in target markets.** In 2023, we were ranked as the fourth largest EV battery system provider for passenger BEVs in China by shipment unit, according to the F&S Report. We were the second largest BEV battery system provider in India by installed volume in 2023, according to the F&S Report. In particular, Customer D, a leading Indian EV manufacturer for whom we have been supplying EV battery systems for electric buses since 2016, has further entrusted us to supply EV battery systems for its passenger EVs starting in December 2023. Our consistent performance and reliability have not only deepened this existing relationship but allowed us to win the business of a second large scale electric bus manufacturer in India in 2023. We have been proactively optimizing our product mix by targeting A0, A and above segments. The A0, A and above segments accounted for an increasing portion of our EV battery system revenue in China during the Track Record Period. In 2023 and the four months ended April 30, 2024, the A0, and A and above segments accounted for 56.7% and 65.7% of our EV battery system revenue in China, respectively, overtaking the A00 segment, which accounted for 38.0% and 25.9% of our EV battery system revenue in China in the same periods, respectively. We plan to leverage on our success and our product development capabilities to monetize on the growth of (i) A00 and A0 size BEVs and A size PHEVs in China; (ii) passenger EVs, EV buses and other commercial vehicles in India; and (iii) commercial vehicle, industrial and construction equipment in the United States.
- **Improve gross profit margins.** Our gross profit margin increased from 8.2% in 2022 to 17.1% in 2023. The growth from 2021 to 2023 was largely affected by changes in revenue contributions from (i) sales of EV battery systems with or without procurement of battery cells; and (ii) different geographic markets. As our customers opt to source battery cells directly in an increasing number of projects and we continue to ramp-up delivery in India, we expect to continue to improve our overall gross profit margin.

For further details, see the section headed “Business — Business Sustainability.”

OUR PRE-[REDACTED] INVESTORS

In order to obtain the funds required for our Company’s development and continuously optimize the corporate governance structure, our Company has carried out nine rounds of equity financing (including one conversion of a loan) since its establishment to introduce new Shareholders and Pre-[REDACTED] Investors to our Group. Our Pre-[REDACTED] Investors include professional investment companies or professional funds and value chain companies. For further details, see the section headed “History, Reorganization and Corporate Structure — Pre-[REDACTED] Investments.”

COMPETITION

The PRC battery systems market is at a stage of rapid development driven by a strong demand from the EV market. In particular, the total market size in terms of shipment units of passenger BEV battery system providers in China in 2023 was 6,306.3 thousand units. The competitive landscape of the PRC lithium-ion battery industry is highly concentrated, and the top five players accounted for a market share of 55.7%. We were ranked as the fourth largest EV battery system provider for passenger BEVs in China by shipment unit with a market share of 5.1% in 2023, according to the F&S Report. Similarly, driven by supportive government policies, increased public acceptance of BEVs, and improved infrastructure, the sales volume of BEVs is also increasing rapidly in India. According to the F&S Report, the sales volume of BEVs in India in 2023 was 86.8 thousand units, and the top five players accounted for a market share of 74.1%. We were the second largest BEV battery system provider in India by installed volume, and accounted for a market share of 16.3% in India in terms of BEV battery system installed volume by MWh in 2023, according to the F&S Report.

SUMMARY

We face competition from various industry participants, including independent EV battery systems providers, EV battery systems providers affiliated with EV OEMs, and EV battery systems providers affiliated with battery cell manufacturers, as well as new market entrants. In addition, our customers or suppliers of key components may integrate the value chain vertically and start competing with us. In addition, according to the F&S Report, the demand for lithium-ion battery systems is expected to reach 24,695 thousand units in China in 2028 at a CAGR of 19.6% from 2024. Although lithium-ion battery cells are expected to continue to dominate the battery cell market in the near future, researchers and industry players continue to explore new materials and technologies to reduce the costs and enhance the performance of battery cells to facilitate the energy transition, including sodium-ion battery cells which use sodium as the charge carriers.

However, leveraging our competitive advantages, we believe we are well-positioned to capture growth opportunities in the industry despite intensifying competition and potential industry chain integration. For example:

- ***Engineering and manufacturing capabilities.*** Our platform-based engineering and manufacturing model allows us to be battery cell agnostic. Our battery systems are independent of any specific battery cell, enabling impartial assessment, customized solutions, and effective supply chain risk mitigation. As alternative battery sources and technologies are introduced, we are able to leverage them to offer higher performance battery systems to our customers. In 2023, we developed sodium-ion battery system prototypes for application in entry-level EV models. According to the F&S Report, we were the first in the world to develop battery systems with sodium-ion battery cells. We were also one of the first players in China to develop battery systems using 4695 cylindrical battery cells, which was launched in April 2024.
- ***EDD capabilities.*** Our EDD capabilities allow us to offer customized EV battery systems with both cylindrical and prismatic battery cells at outstanding safety and cost standards. Engaging us for the development and manufacturing of EV battery systems could help save cost for EV OEMs according to the F&S Report. It would incur EV OEMs and battery cell manufacturers significant and separate investments to develop and manufacture battery systems by themselves, including but not limited to production line construction, technology research and development and personnel training. EV battery system suppliers, like us, through operations focusing on EV battery system market, large-scale production and flexible supply chain management, can to some extent achieve manufacturing cost efficiency and achieve economies of scale, thus have cost advantage as compared to manufacturing by OEMs and battery cell manufacturers themselves. Furthermore, we are committed to research on alternative battery technologies, namely semi solid-state battery and solid-state battery technology, in battery systems. According to the F&S Report, these alternative battery technologies are expected to commercialize in 2025 and 2030, respectively. Once these battery cell technologies commence mass commercialization, we will use our EDD capabilities to develop battery systems to apply such battery cell technologies.
- ***Strong partnerships with EV OEMs and battery cell suppliers.*** During the Track Record Period, we had 77 value chain partners, consisting of 55 EV OEM customers, 18 battery cell manufacturer suppliers (three of which were also our battery cell manufacturer customers) and seven battery cell manufacturer customers. We have also successfully converted a number of our battery cell suppliers, including two of the top 10 PRC battery players by shipment volume in 2023 according to the F&S Report, into our customers.
- ***India capability.*** We are one of the few local market players that are able to provide customized EV battery systems with localized manufacturing and serving capabilities in Indian market, according to the F&S Report. As of April 30, 2024, we had two manufacturing facilities and 24 EDD employees in India. Customer D, a leading Indian EV manufacturer, for whom we have been supplying EV battery systems for electric buses since 2016, has also further entrusted us to supply EV battery systems for its passenger EVs starting in December 2023. Furthermore, there are relatively high entry barriers to the EV battery system industry, including value chain management, product, human capital and capital barriers according to the F&S Report.

SUMMARY

RISK FACTORS

Our business is subject to certain risks involved in our operations, including but not limited to risks relating to our business and industry, risks relating to conducting business in the PRC and risks relating to the [REDACTED]. Some of the major risks that we face are in relation to (i) the market demand for EVs; (ii) our ability to maintain existing customers and acquire new customers; (iii) customer concentration and supplier concentration; (iv) our ability to manage our business growth and liquidity issues; (v) the performance and competitive edges of our products; and (vi) stable and sufficient market supply of raw materials used in our manufacturing.

As different investors may have different interpretations and standards for determining the materiality of a risk, you should carefully consider all of the information set forth in this document, including the risks and uncertainties described in the section headed “Risk Factors.”

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic had a material adverse impact on the global economy. To ensure a safe working environment, we implemented various precautionary measures and flexibly adjusted work arrangement of our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any manufacturing facility closures and our manufacturing capacity was not materially affected by the COVID-19 pandemic. We also actively communicated with our suppliers and customers to make necessary alternative arrangements to meet product delivery targets. As such, we did not encounter any material disruption to our operations, despite COVID-19.

Accordingly, our Directors believe that the COVID-19 pandemic has not had, and will not have, any material adverse impact on our business, financial condition or results of operations. However, there is no assurance that our operation or manufacturing activities will not be affected in the future due to the COVID-19 pandemic. See “Risk Factors — Risks Relating to Our Business and Industry — We face risks of health epidemics, other natural disasters and terrorist attacks, which could severely disrupt our business operations.”

UNRESOLVED DISAGREEMENT WITH AN AFFILIATE OF ONE OF OUR SHAREHOLDERS

In April 2016, Shanghai Taishan, an affiliate of one of our Shareholders, commenced arbitration proceedings against SinoEV Changzhou, Dr. Zhou and our Company in connection with an investment agreement entered into among SinoEV Changzhou, Dr. Zhou, Shanghai Taishan and our Company in 2015. The proceedings resulted in an arbitration award made on August 27, 2018 which declined Shanghai Taishan’s requested remedy for SinoEV Changzhou to accept Shanghai Taishan’s investment and issue equity interests to Shanghai Taishan. However, the arbitration award confirmed the validity of the investment agreement and noted that the respondents, namely SinoEV Changzhou, Dr. Zhou and our Company, had breached obligations under the investment agreement and Shanghai Taishan may commence another proceeding for damages for breach of contract. For further details and associated risk, see the sections headed “History, Reorganization and Corporate Structure — Reorganization — Deregistration of Subsidiaries — (i) Deregistration of 華霆(常州)動力技術有限公司 (SinoEV (Changzhou) Powertrain Technologies Co., Ltd.)* (“SinoEV Changzhou”),” “Risk Factors — Risks related to our Business and Industry — We may be involved in legal or other proceedings from time to time which may expose us to liabilities, divert our management’s attention and harm our reputation.” and “Financial Information — Description of Selected Consolidated Balance Sheets Line Items — Trade and Other Payables.”

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Based on our unaudited management accounts, we recorded increases in revenue, gross profit and net profit for the two months ended June 30, 2024 as compared to the same period in 2023. The increases were primarily attributable to (i) our continued efforts in developing new products for our existing and new customers; and (ii) the recovery in end market demand for EVs in China, as well as fast-growing passenger EVs in India. In particular, we received significant increases in sales of EV battery systems to Customer A and Customer D.

SUMMARY

We manufactured 72,503 units of EV battery systems in the two months ended June 30, 2024 and had a strong pipeline of 135 nominated EV battery system projects on hand as of June 30, 2024. We will continue to strengthen our partnerships with major customers and further develop new customers. We had been engaged by Customer C to develop battery system for a popular A0 size BEV in China and to provide battery assembly services for an EV model of a high-end EV brand in China, which is expected to commence mass production in the second half of 2024. Supplier C, a leading battery cell manufacturer in China, had engaged us to provide battery assembly services for three EV models, all of which had commenced mass production in May 2024. We had also been nominated by a major automobile OEM in China to provide battery assembly services for multiple EV models, one of which had commenced mass production in April 2024 and two of which are expected to commence mass production in the second half of 2024. Preparations are underway for commencement of production for two new passenger EV projects in India, one for Customer D and another for a new Indian customer, a well-known local car OEM. Both projects are scheduled to commence mass production in the third quarter of 2024.

Furthermore, we have made and will continue to make significant investments in manufacturing expansions and upgrades. Our latest Hefei facility III and Pune facility II commenced production in 2024 and have been gradually expanding its manufacturing capacity. As our manufacturing and local supply chain further matured, we did not incur any air freight expenses for battery cells from China to India for our business in India during the two months ended June 30, 2024. This has reduced our cost of materials compared to imported materials.

Our Directors have confirmed that, since April 30, 2024 and up to the date of this document, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountant’s Report included in Appendix I to this document.

DIVIDENDS

During the Track Record Period, no dividend has been paid or declared by our Company. Subject to the provisions of the Articles of Association and the Cayman Companies Act, through a general meeting, we may declare dividends, but no dividend may be declared unless out of either profits or share premium account and no dividend shall exceed the amount recommended by our Board. Any declaration of dividends, however, is subject to our results of operations, working capital and cash position, future business and earnings, capital requirements, contractual restrictions, if any, as well as any other factors which our Directors may consider relevant from time to time. In addition, any declaration and payment as well as the amount of the dividends will be subject to the provisions of (i) our Articles of Association; and (ii) the Cayman Companies Act. Any future declarations and payments of dividends will be at the discretion of our Directors and may require the approval of our Shareholders. For more information on our dividend policy, see the section headed “Financial Information — Dividends.”

[REDACTED]

The statistics below are based on the assumption that [REDACTED] are issued under the [REDACTED]:

	Based on the low end of the indicative [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on the high end of the indicative [REDACTED] of HK\$[REDACTED] per [REDACTED]
[REDACTED] of our Shares ⁽¹⁾	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible assets per Share ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]

SUMMARY

Notes:

- (1) The calculation of [REDACTED] is based on [REDACTED] Shares will be in issue immediately following the completion of the [REDACTED] assuming the [REDACTED] is not exercised.
- (2) The unaudited [REDACTED] adjusted consolidated net tangible assets per Share is calculated after the adjustments referred to in Part A of Appendix II to this document and on the basis of [REDACTED] Shares to be in issue immediately following the completion of the [REDACTED].

[REDACTED] FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the [REDACTED] of, and permission to [REDACTED], our Shares to be issued pursuant to the [REDACTED], on the basis that, among other things, we satisfy the [REDACTED]/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue for the year ended December 31, 2023, being RMB3,176.0 million (equivalent to approximately HK\$3,478.2 million), which was over HK\$500 million, and (ii) the [REDACTED] of our Shares at the time of [REDACTED], based on the low end of the indicative [REDACTED], exceeding HK\$[REDACTED] as required by Rule 8.05(3) of the Listing Rules.

[REDACTED] EXPENSES

Based on the [REDACTED] of the indicative [REDACTED] of HK\$[REDACTED] per Share, the total estimated [REDACTED] expenses in relation to the [REDACTED] are approximately RMB[REDACTED], which represent [REDACTED] of the total gross [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), assuming the [REDACTED] is not exercised. During the Track Record Period, we incurred [REDACTED] expenses of RMB[REDACTED], of which RMB[REDACTED] was charged to our consolidated statements of comprehensive income and RMB[REDACTED] was recognized as other non-current assets in our consolidated balance sheets to be accounted for as a deduction from equity upon the [REDACTED]. Subsequent to the Track Record Period, we expect to incur additional [REDACTED] expenses of approximately RMB[REDACTED], of which RMB[REDACTED] is expected to be charged to our consolidated statements of comprehensive income and RMB[REDACTED] is expected to be accounted for as a deduction from equity upon the [REDACTED]. The estimated [REDACTED] expenses of approximately RMB[REDACTED] include: (i) [REDACTED]-related expenses (including but not limited to [REDACTED] and fees) of approximately RMB[REDACTED], and (ii) [REDACTED] related expenses of approximately RMB[REDACTED], which consist of fees and expenses of legal advisors and accountants of approximately RMB[REDACTED], and other fees and expenses of approximately RMB[REDACTED]. The aforementioned [REDACTED] expenses are the latest practicable estimates by us and are provided for reference only and the actual amounts may differ.

USE OF [REDACTED]

We estimate the [REDACTED] of the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the [REDACTED] of the [REDACTED] stated in this document), will be approximately HK\$[REDACTED], after deduction of [REDACTED] fees and [REDACTED] and estimated expenses payable by us in connection with the [REDACTED] and assuming the [REDACTED] is not exercised. In line with our strategies, we intend to use the [REDACTED] for the following proposed purposes in the amounts set forth below:

- approximately [REDACTED], or approximately HK\$[REDACTED], will be used for the continuing development of our technologies;
- approximately [REDACTED], or approximately HK\$[REDACTED], will be used for the expansion of our total annual manufacturing capacity from 0.9 million units as of April 30, 2024 to approximately 1.8 million units by the end of 2026; and
- approximately [REDACTED], or approximately HK\$[REDACTED], will be used for working capital and general corporate purposes.

The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the [REDACTED] of the estimated [REDACTED]. For further details, see the section headed “Future Plans and [REDACTED].”

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the following meanings.

“affiliate”	with respect to any person, any other person, directly or indirectly, controlling, controlled by or under common control with such person
“AFRC”	Accounting and Financing Reporting Council
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, conditionally adopted on [●], with effect from the [REDACTED], as amended or supplemented from time to time, a summary of which is set out in Appendix III to this document
“associate”	has the meaning ascribed to it under the Listing Rules
“Board” or “Board of Directors”	the board of directors of our Company
“business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalization Issue”	the issue of 348,054,507 Shares to be made on the capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the section headed “Statutory and General Information — A. Further Information about our Group — 4. Resolutions of the Shareholders Passed on [●]” in Appendix IV to this document
“Cayman Companies Act” or “Companies Act”	the Companies Act (As Revised) of the Cayman Islands (Chapter 22, Law 3 of 1961), as consolidated and revised from time to time

[REDACTED]

DEFINITIONS

“China” or “PRC”	the People’s Republic of China, for the purpose of this document and for geographical reference only, except where the context requires, references in this document to “China” and the “PRC” do not apply to Hong Kong, Macau Special Administrative Region and Taiwan
“close associate”	has the meaning ascribed to it under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	Octillion Energy Holdings, Inc. 幂源科技控股有限公司, formerly known as SinoElectric Powertrain Corporation, an exempted company with limited liability incorporated under the laws of the Cayman Islands on October 30, 2009
“connected person”	has the meaning ascribed to it under the Listing Rules
“connected transaction”	has the meaning ascribed to it under the Listing Rules
“core connected person”	has the meaning ascribed to it under the Listing Rules
“COVID-19”	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus
	[REDACTED]
“Director”	a director of our Company
“EIT”	enterprise income tax
“EIT Law”	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》)

DEFINITIONS

“Employee’s Trust” Myriad Holding Trust, a discretionary trust established by our Company as the settlor, and TMF (Cayman) Ltd. as the trustee, intended to hold Shares for the benefit of our PRC employees under the Pre-[REDACTED] Share Incentive Scheme

[REDACTED]

“Extreme Conditions” the occurrence of “extreme conditions” as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below

“F&S Report” a market research report prepared by Frost & Sullivan as commissioned by our Company for the purpose of this document

“Frost & Sullivan” Frost & Sullivan Limited, a market research and consulting company and an Independent Third Party

[REDACTED]

“GDP” gross domestic product

[REDACTED]

DEFINITIONS

“Group,” “we,” “our” or “us” our Company and, where appropriate, its subsidiaries or, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors, as the case may be

[REDACTED]

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

DEFINITIONS

“Hong Kong” the Hong Kong Special Administrative Region of the PRC

[REDACTED]

“Hong Kong Stock Exchange” or “Stock Exchange” The Stock Exchange of Hong Kong Limited

[REDACTED]

“IFRS(s)” IFRS Accounting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and Interpretation issued by the International Accounting Standards Committee

“Independent Third Party” any entity or person who, to the best knowledge of our Directors, is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“INR” Indian Rupees, the lawful currency of India

[REDACTED]

“JAC” Anhui Jianghuai Automobile Group Corp., Ltd.* (安徽江淮汽車集團股份有限公司), a company incorporated in the PRC on September 30, 1999, listed on the Shanghai Stock Exchange (stock code: 600418) and a connected person of our Company holding 50% of the equity interest in Octillion JV

[REDACTED]

DEFINITIONS

“Joint Sponsors” HSBC Corporate Finance (Hong Kong) Limited and China International Capital Corporation Hong Kong Securities Limited

“Latest Practicable Date” August 22, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[REDACTED]

“Macau” the Macau Special Administrative Region of the PRC

“Main Board” the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange

“MEE” the Ministry of Ecology and Environment of the PRC

“Memorandum” or “Memorandum of Association” the amended and restated memorandum of association of our Company, which was conditionally adopted on [●] with effect from the [REDACTED], as amended, supplemented or restated from time to time; see the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this document for a summary of the Memorandum

“MIIT” the Ministry of Industry and Information Technology of the PRC

DEFINITIONS

“MOF”	the Ministry of Finance of the PRC
“MOFCOM”	the Ministry of Commerce of the PRC
“MOST”	the Ministry of Science and Technology of the PRC
“Dr. Zhou”	Zhou Peng (周鵬), a PRC resident and our executive Director, chairman of the Board and chief executive officer
“M&A Rules”	the Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定)
“NDRC”	the National Development and Reform Commission of the PRC
“Octillion Anqing”	JAC SinoEV (Anqing) Battery System Co., Ltd.* (江淮華霆(安慶)電池系統有限公司), a company established in the PRC with limited liability on November 22, 2019 and a direct wholly-owned subsidiary of Octillion JV
“Octillion Australia”	Octillion Power Systems Australia Pty. Ltd., a proprietary company limited by shares established in Australia on February 12, 2015 and a former wholly-owned subsidiary of our Company which has been deregistered by way of voluntary dissolution on November 6, 2019
“Octillion Energy”	Octillion Energy (Hefei) Powertrain Technology Co., Ltd.* (蔚能(合肥)動力技術有限公司), a company established in the PRC with limited liability on August 24, 2018 and an indirect wholly-owned subsidiary of our Company
“Octillion Hefei”	SinoEV (Hefei) Powertrain Technology Co., Ltd.* (華霆(合肥)動力技術有限公司), a company established in the PRC with limited liability on April 19, 2010 and an indirect wholly-owned subsidiary of our Company
“Octillion HK”	Octillion Hong Kong Limited, a company established in Hong Kong with limited liability on June 2, 2016 and a direct wholly-owned subsidiary of our Company

DEFINITIONS

“Octillion India”	Octillion Power Systems India Private Limited, a private limited company established in India on December 19, 2017 and an indirect wholly-owned subsidiary of our Company
“Octillion JV”	Anhui JAC SinoEV Battery System Co., Ltd.* (安徽江淮華霆電池系統有限公司), a company established in the PRC with limited liability on February 27, 2017 and an indirect non-wholly owned subsidiary of our Company which is held as to 50% each directly by JAC and Octillion Hefei
“Octillion Liuzhou”	Liuzhou SinoEV New Energy Technology Co., Ltd.* (柳州華霆新能源技術有限公司), a company established in the PRC with limited liability on June 16, 2021 and an indirect wholly-owned subsidiary of our Company
“Octillion Miyuan”	Octillion (Hefei) Powertrain Technology Co., Ltd.* (羣源(合肥)動力技術有限公司), a company established in the PRC with limited liability on October 21, 2016 and an indirect wholly-owned subsidiary of our Company
“Octillion US”	Octillion Power Systems, Inc. (formerly known as SinoElectric Powertrain, Inc. and SinoEV Technologies, Inc.), a company established in the U.S. on October 30, 2009 and a direct wholly-owned subsidiary of our Company

[REDACTED]

DEFINITIONS

[REDACTED]

“PBOC”	the People’s Bank of China, the central bank of the PRC
“Post-[REDACTED] Share Option Scheme”	the post-[REDACTED] share option scheme adopted by the Company on [●], the principal terms of which are set out in the section headed “Statutory and General Information — D. Share Incentive Schemes — 2. Post-[REDACTED] Share Option Scheme” in Appendix IV to this document
“PRC government”	the government of the PRC, including all governmental sub-divisions such as provincial, municipal and other regional or local government entities
“PRC Legal Advisors”	Merits & Tree Law Offices, the legal advisors to our Company as to the laws of the PRC
“Pre-[REDACTED] Investments”	the pre-[REDACTED] investments in our Company undertaken by the Pre-[REDACTED] Investors, details of which are set forth in the section headed “History, Reorganization and Corporate Structure — Pre-[REDACTED] Investments”
“Pre-[REDACTED] Investors”	certain investors of our Company who/which invested into our Company prior to the [REDACTED] as described in the section headed “History, Reorganization and Corporate Structure — Pre-[REDACTED] Investments — Background of the Pre-[REDACTED] Investors”

DEFINITIONS

“Pre-[REDACTED] Share Incentive Scheme” the share incentive scheme for the grant of options and share awards to eligible participants approved and adopted by the Board on November 6, 2009, amended and restated on June 21, 2023, and as amended from time to time, the principal terms of which are set out in the section headed “Statutory and General Information — D. Share Incentive Schemes — 1. Pre-[REDACTED] Share Incentive Scheme” in Appendix IV to this document

[REDACTED]

“provinces” refers to provinces, autonomous regions and municipalities under the direct administration of the central people’s government of the PRC

“R&D” research and development

“Regulation S” Regulation S under the U.S. Securities Act

“Renminbi” or “RMB” Renminbi yuan, the lawful currency of the PRC

“Reorganization” the reorganization arrangements undergone by us in preparation for the [REDACTED], details of which are set forth in the section headed “History, Reorganization and Corporate Structure — Reorganization”

“SAFE” the State Administration of Foreign Exchange of the PRC

“SAFE Circular 37” the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) issued by SAFE on July 4, 2014

“SCNPC” the Standing Committee of the National People’s Congress of the PRC

“SFC” the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Taishan”	Shanghai Taishan Tianyi Venture Capital Partnership (Limited Partnership)* (上海泰山天頤創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on December 27, 2012 and an affiliate of one of our Shareholders
“Share”	an ordinary share in the share capital of our Company with a nominal value of US\$0.0001 each
“Share Incentive Schemes”	the Pre-[REDACTED] Share Incentive Scheme and the Post-[REDACTED] Share Option Scheme
“Shareholder”	a holder of our Shares
“SinoEV Changzhou”	SinoEV (Changzhou) Powertrain Technologies Co., Ltd.* (華霆(常州)動力技術有限公司), a company established in the PRC with limited liability on January 23, 2013 and a former wholly-owned subsidiary of our Company which has been deregistered by way of simplified deregistration procedure on August 12, 2021
	[REDACTED]
“sq.m.”	square meter
	[REDACTED]
“State Council”	the State Council of the PRC
	[REDACTED]
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buybacks issued by the SFC (as amended from time to time)
“Track Record Period”	the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024
“U.S. dollars” or “US\$” or “USD”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time

[REDACTED]

“United States” or “U.S.”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
“VAT”	value-added tax

The English translation of PRC laws, regulations, governmental authorities, enterprises, natural persons or other entities in Chinese included in this document is for identification purposes only. To the extent there is any inconsistency between the Chinese language and the English translation of the foregoing, the Chinese language shall prevail.

GLOSSARY

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

“APQP”	advanced product quality planning
“A00”	Passenger vehicles can be categorized into A00, A0, A and B+ sizes according to the wheel base length and size of the vehicles. A00 represents the smallest size. In this document, B+ includes passenger vehicles of B size and larger
“BEST”	bipolar encapsulated structure technology
“BEV”	battery electric vehicle
“BMS”	battery management system
“cell”	battery cell
“cylindrical cell”	cylindrical cell is generally small and round, and consists of an anode, a separator, a cathode, electrolyte and two current collectors
“EDD”	engineering, design and development
“ERP”	enterprise resource planning
“ESG”	environmental, social and governance
“ESS”	energy storage solution, a device that can store and output power, consists of multiple subsystems such as battery system and energy management system
“EV” or “electric vehicle”	vehicle powered by an electric motor

GLOSSARY

“EV battery system”	an EV battery system comprises battery modules which consist of battery cells grouped in parallel and series, as well as other structural, thermal, and electrical components and a BMS in an enclosure. EV battery systems are measured in units
“FLASH”	flexible layered architecture for software and hardware
“FLICK”	flexible lines with island and chain kinematics
“HEV”	hybrid electric vehicle
“IATF 16949:2016”	international technical specification of automotive industry quality management system, which is widely used as international standards for quality management and prepared by the International Automotive Task Force and International Organization for Standardization
“IC”	integrated circuit
“ICE”	internal combustion engine
“installed units”	the number of battery systems installed in EVs or ESSs
“installed volume”	the amount of electrical energy of battery systems installed in EVs or ESSs, usually expressed in kWh
“ISO 14000”	environmental management system, which was released by the International Organization for Standardization
“ISO 45001”	occupational health and safety management, which was released by the International Organization for Standardization
“ISO 9001”	international quality management system, which was released by the International Organization for Standardization
“kWh”	kilowatt-hour, a unit of electrical energy
“LFP”	lithium iron phosphate (LiFePO ₄)
“LFP battery”	a lithium-ion battery that uses LFP as the cathode material

GLOSSARY

“lithium-ion battery”	rechargeable battery that composes of cells in which lithium ions move from the negative electrode through electrolytes to the positive electrode during discharge and back when charging
“LMO”	lithium-ion manganese oxide (LiMn_2O_4)
“LMO battery”	a lithium-ion battery that uses lithium-ion manganese oxide (LiMn_2O_4) as the cathode material
“MES system”	manufacturing execution system
“MUST”	multifunctional unitized structure technology
“MWh”	megawatt-hour, a unit of electrical energy
“NCA”	nickel-cobalt-aluminum ($\text{Li}(\text{Ni}_x\text{Co}_y\text{Al}_z)\text{O}_2$) ternary materials, which can be used as cathode materials for high specific energy density batteries. Given different ratios of nickel, cobalt and aluminum, they can be classified into, among others, NCA622 and NCA811
“NCM”	nickel-cobalt-manganese ($\text{Li}(\text{Ni}_x\text{Co}_y\text{Mn}_z)\text{O}_2$) ternary materials, which can be used as cathode materials for high specific energy density batteries. Given different ratios of nickel, cobalt and manganese, they can be classified into, among others, NCM622 and NCM811
“NEV”	new energy vehicle, comprising of BEVs, PHEVs, fuel cell electric vehicles and other vehicles mainly propelled by new energy
“non-passenger BEVs”	a segment of BEVs, including commercial BEVs, such as buses and trucks, special purpose vehicles, and BEVs for construction equipment and marine application
“OEM”	original equipment manufacturer
“PEV”	plug-in electric vehicle
“PHEV”	plug-in hybrid electric vehicle
“prismatic battery cell”	prismatic battery cell has a rectangular shape and is enclosed by a rigid enclosure

GLOSSARY

“PV” or “passenger vehicle”	passenger vehicles include sedans, sport utility vehicles (SUV) and multi-purpose vehicles (MPV)
“SMT”	surface mounted technology
“SUPER”	SinoEV unified product engineering registry
“ternary battery”	lithium-ion battery whose cathode material is composed of three metallic elements in two forms: NCM or NCA
“V”	volt, the unit of electromotive force
“Wh”	watt hour, a unit of electrical energy
“Wh/kg”	watt hour per kilogram

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. In some cases, these forward-looking statements can be identified by words or phrases such as “anticipate,” “believe,” “likely,” “could,” “should,” “ought to,” “estimate,” “expect,” “intend,” “may,” “might,” “aim,” “plan,” “seek,” “will,” “would,” “assume,” “aspire,” “going forward,” “continue,” “project,” “propose,” “potential,” “predict” and other similar expressions. These forward-looking statements relate to, among others:

- our operations and business prospects;
- our future business development, financial condition and results of operations;
- our ability to successfully implement our business plans and strategies;
- the competitive landscape for our business and the development and actions of our existing and future competitors;
- consumer behavior and preferences and market trends for EVs and EV battery systems;
- the regulatory environment and industry outlook for the general EV and EV battery system sectors and our business;
- general political, economic, legal and social conditions and government policies;
- our proposed [REDACTED] from the [REDACTED];
- our future capital needs and capital expenditure plans;
- our dividend payout;
- other statements in this document that are not historical facts; and
- other factors beyond our control.

The forward-looking statements contained in this document relate only to events or information as of the date of on which the statements are made in this document. We do not undertake to update or otherwise revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on any forward-looking statements.

All forward-looking statements contained in this document are qualified by reference to the cautionary statements set forth in this section.

RISK FACTORS

You should carefully consider all of the information in this [REDACTED] document, including the risks and uncertainties described below, before making an investment in our Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The [REDACTED] price of our Shares could decline due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our business and future growth depends on the growth in demand for EVs.

As the demand for our products is directly related to the market demand for EVs, a fast-growing EV market is critical to the success of our business. This market is relatively new, characterized by rapidly changing technologies, evolving government regulations and industry standards and changing consumer demands and behaviors. If the markets for EVs, particularly in China, do not develop as we expect or develop more slowly than we expect, our business, prospects, financial condition and operating results will be adversely affected.

Other factors that may influence the adoption of EVs and consequently demand for EV battery systems include:

- perceptions about EV quality, safety, design and performance, especially if adverse events or accidents occur that are linked to the quality or safety of EVs or EV battery systems;
- negative perceptions of EVs, such as that they are more expensive than non-electric vehicles and are only affordable with government subsidies or that they have failed to meet customer expectations;
- the limited range over which EVs may be driven on a single battery charge and the speed at which batteries can be recharged;
- the decline of an EV's range resulting from deterioration over time in the battery's ability to hold a charge;
- concerns about electric grid capacity and reliability;
- the availability of service for EVs;
- the environmental consciousness of consumers;

RISK FACTORS

- access to charging stations, standardization of EV charging systems and consumers' perceptions about the convenience of charging an EV;
- concerns regarding comprehensive insurance coverage related to electric vehicles;
- developments in alternative technologies, such as advanced diesel, ethanol, fuel cells or compressed natural gas, or improvements in the fuel economy of the internal combustion engine, which could adversely affect sales of electric vehicles;
- the availability and volatility in the cost of natural gas, diesel, coal, oil, gasoline and other fuels relative to electricity;
- the availability of tax and other governmental incentives to purchase and operate electric vehicles or future regulation requiring increased use of non-polluting vehicles; and
- concerns regarding the value and costs for upkeep of electric vehicles in the used car market.

Any of these factors may cause the demand for EVs and our products to decrease. If the market for EVs does not develop as we expect or develops more slowly than we expect, our business, prospects, financial condition and operating results will be adversely affected.

We recorded net losses historically.

We recorded net loss of RMB65.9 million for the year ended December 31, 2021. The net loss in 2021 was primarily due to our significant expenditure in manufacturing, EDD and sales and marketing at a relatively preliminary stage of our business when the increases in our revenue had not outpaced our increasing expenditures. We recorded net losses of RMB29.4 million and RMB27.1 million for the four months ended April 30, 2023 and 2024, respectively. These net losses were primarily due to the net losses in the four months ended April 30, 2023 and 2024 were primarily due to (i) demand for EVs in China is generally higher at the end of the year but lower at the beginning of the year; (ii) issuance of share-based compensation in June 2023; and (iii) a decrease in revenue contribution from EV buses in India in the four months ended April 30, 2024 due to government election cycle. We may incur significant losses for a number of reasons, including lack of demand for our EV battery systems, increasing competition, the global shortage of semiconductors and other risks described in this document. In addition, we may encounter unforeseen expenses, difficulties, complications, delays and other unknown events. After the [REDACTED], as a [REDACTED], we may also incur significant accounting, legal and other expenses that we did not incur as a private company. These expenditures may make it more difficult for us to maintain profitability.

While we did not have net current liabilities or net liabilities as of December 31, 2021, 2022 and 2023 and April 30, 2024, our future liquidity, payment of trade payables, other payables and accruals, our capital expenditure plans and the repayment of outstanding bank

RISK FACTORS

borrowings as and when they become due primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing. Maintaining competitiveness and implementing our growth strategies also require us to obtain sufficient capital funds. If we record operating cash outflows or net current liabilities in the future, our working capital may be constrained, which may adversely affect our business and financial condition. Moreover, we expect to seek adequate external financing such as from [REDACTED] and issuing securities, and/or other sources such as external debt, to finance the expansion and development of our business, which may not be available on terms favorable or commercially reasonable to us or at all. Thus, our business, financial condition and results of operations may be materially and adversely affected.

We have had net operating cash outflows in the past.

We had net operating cash outflow of RMB608.9 million in the year ended December 31, 2023. This was primarily due to (i) an increase in recourse factoring arrangements of trade receivables, which were recorded in financing activities but not in operating activities; and (ii) a decrease in trade payables, which was in line with the trend of our business activities. For the four months ended April 30, 2024, we had net operating cash outflow of RMB528.3 million, resulting from loss before income tax of RMB38.4 million, and was also attributable to negative movements in working capital which mainly reflected (i) an increase of RMB346.4 million in trade receivables and notes receivables; and (ii) a decrease of RMB246.7 million in trade payables and notes payable; offset by an increase of RMB102.0 million in inventories. We cannot assure you that we will be able to maintain robust cash flow from operating activities in the future. If we encounter long-term and continual net operating cash outflows in the future, we may not have sufficient working capital to cover our operating costs, and our business, results of operations and financial position may be materially and adversely affected.

Our plans to achieve profitability may not develop as expected, which may affect our business sustainability.

We have plans and have adopted various measures to sustain our business and continue to achieve profitability. We intend to continue to grow our customer base, optimize product mix and expand in target markets, and improve gross profit margins. For further details, see the sections headed “Business — Business Sustainability” and “Future Plans and [REDACTED].” However, such plans may not materialize or develop as timely and to the extent as expected, in which case may not achieve profitability as planned or at all. In addition, if we fail to achieve economies of scale through our efforts or fail to adopt adequate cost control measures, our plan to achieve profitability may be adversely affected. These plans may be more costly than we expect, which may result in significantly increased expenses and failure to achieve our intended profitability. In the worst case of the abovementioned events, our business sustainability may be affected.

RISK FACTORS

Failure to acquire new customers, loss of sales to existing customers or failure to negotiate acceptable terms in contract renewal with existing customers could have an adverse impact on our business.

We may not be able to establish or continue our relationships with new or existing customers. Large volume customers have substantial bargaining power with respect to price and other commercial terms, and any contracts with them would be subject to renegotiation and renewal from time to time. Failure to obtain new customers, maintain existing customers, loss of all or a substantial portion of sales to any future or current customers for whatever reason (including, but not limited to, loss of contracts or failure to negotiate acceptable terms in contract renewal negotiations, loss of market share by these customers, insolvency of such customers, reduced or delayed customer requirements, plant shutdowns, strikes or other work stoppages affecting production by such customers, or customers preferring products that are manufactured domestically or manufactured using parts or components that are sourced domestically) or continued reduction of prices to these customers could have a significant adverse effect on our financial results and business prospects. There can be no assurance that we will be able to obtain new customers, maintain our existing customers, not lose all or a portion of sales to any future large volume customers, or offset any reduction of prices to these customers with reductions in our costs or by obtaining new contracts.

The level of any future sales, including the realization of future sales from awarded business or obtaining new business or customers, is inherently subject to a number of risks and uncertainties, including the number of vehicles that our customers actually manufacture and sell. Further, to the extent that the financial condition, including bankruptcy or market share, of any of our largest customers deteriorates or their sales otherwise continue to decline, our business, prospects, financial condition and operating results could be adversely affected. Accordingly, we may not in fact realize all of the future sales represented by our awarded business. Any failure to realize these sales could have a material adverse effect on our business, prospects, financial condition and operating results.

Increasing reliance on our top five customers.

We are dependent on a limited number of customers for most of our revenue. Our top five customers in each year/period during the Track Record Period accounted for 96.4%, 97.4%, 88.0% and 89.5% of our total revenue for the respective year/period. Our largest customer in each year/period during the Track Record Period, namely Customer A, Customer A, Customer B and Customer D, respectively, accounted for 47.6%, 46.0%, 26.1% and 39.7% of our total revenue for the respective year/period. An increase in reliance on our top five customers may make us more vulnerable to market fluctuations that result in changes in these customers' purchasing patterns. In particular, if our major customers change their purchase arrangement, reduce their purchases from us or do not renew their supply agreements with us for whatever reason including economic downturns or industry trends, our revenue and profitability could decline significantly, resulting in under-utilized manufacturing capacity. Thus, our business, financial condition and results of operations may be materially and adversely affected. Furthermore, as most of our major customers are key players in the market and are primarily domestic and international automobile OEMs with strong market positions, we may have

RISK FACTORS

limited bargaining power when negotiating with them and may be required to concede to certain requests made by these customers in order to maintain good relations with them. Dependence on a few customers could also expose us to the risk of substantial losses if a single dominant customer stops purchasing our products or if we lose a single dominant customer due to reasons out of our control, such as their inability to compete successfully against other market players and meet their sales goals. We expect that a limited number of customers will continue to contribute a significant portion of our sales in the near future. Our ability to maintain close relationships with these top customers is essential to the growth and profitability of our business. If we fail to sell our products to one or more of these top customers in any particular period, or if a large customer purchases fewer of our products, defers orders or fails to place additional orders with us, or if we fail to develop additional major customers, our revenue could decline and our results of operations could be adversely affected.

Reliance on the PRC market.

For 2021, 2022 and 2023 and the four months ended April 30, 2024, China was our principal market as 97.3%, 97.7%, 72.1% and 56.0% of our revenue, respectively, was derived from China. We expect China to continue to account for a substantial portion of our revenue in the future. However, the PRC market and our performance depend significantly on factors affecting the habits, level and pattern of consumer spending in China, which includes, among others, consumers’ disposable income. In the event of any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, it may result in a reduction in the customers’ disposable income and hence the number and purchasing power of our customers, which could materially and adversely affect our overall business, financial conditions and results of operation.

We are exposed to concentration risks in our purchase contracts with suppliers. Certain of our major suppliers are also our customers. If we fail to retain existing business relationships with such suppliers and are suspended from conducting business with them, our business operations and financial results would be materially and adversely affected.

We depend on a limited number of suppliers. Our aggregate purchases from our top five suppliers in each year/period during the Track Record Period accounted for 60.7%, 66.9%, 62.5% and 40.4% of our total purchases for the respective year/period. Our business, financial condition and results of operations are dependent on, among other things, the performance of the obligations under our purchase contracts by the relevant suppliers. We cannot assure you that these purchase contracts will be duly performed by our suppliers, or at all. If our suppliers do not duly perform their obligations under the relevant contracts, or at all, our business, financial condition and results of operations could be materially and adversely affected. Furthermore, out of our top five suppliers in each of the periods during the Track Record Period, four of our suppliers were also our customers. For further details, see the section headed “Business — Raw Materials and Suppliers — Overlapping Customers and Suppliers.” If we fail to retain existing business relationships with such suppliers and are suspended from conducting business with them, our business operations and financial results would be materially and adversely affected.

RISK FACTORS

If we cannot secure a stable and sufficient supply of battery cells and other raw materials at reasonable costs, our operations and financial condition could be materially adversely affected.

We use a variety of raw materials to manufacture our products, including casing, harness and battery cells. Our cost of raw materials accounted for 92.6%, 93.7%, 90.9% and 90.3% of our total cost of revenues for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively. We rely on third party suppliers to supply us with raw materials that meet our quality requirements. This exposes us to the risk of raw materials price fluctuations, supply shortages and the risk that our suppliers will be unable to deliver the products we require. For instance, the price of battery cells is affected by the price of lithium carbonate, an important chemical substance used in producing battery cells. Our battery cell suppliers may transfer the lithium carbonate price fluctuation risk to us. According to the F&S Report, the market prices of our raw materials used for manufacturing EV battery systems have increased significantly in 2021 and 2022. For further details, see the section headed “Industry Overview — EV Battery Systems Market — Cost Analysis of China’s EV Battery Market.” Historically, we did not engage in hedging strategies for raw material purchases. We might not be able to pass on increases in the cost of raw materials to our customers in a timely manner or at all. For example, for certain EV battery systems with procurement of battery cells projects in India, any fluctuations in battery cell price between the estimated cost which we charge our customer and the actual battery cell cost will initially be borne by us, and adjusted subsequently. Accordingly, increases in the cost of raw materials may adversely impact our financial condition and results of operations.

In addition, if demand for battery cells increases, our battery cell suppliers may not prioritize our purchase orders and we may not be able to obtain battery cells on favorable conditions in a timely manner. Any disruption in the supply of battery cells could disrupt or even stop the production of our EV battery systems until we find a qualified alternative supplier. We might not be able to retain alternative suppliers on a timely basis, on acceptable terms or at all. Changes in business conditions, governmental policies and other factors beyond our control could also impair our suppliers’ ability to deliver battery cells to us on a timely basis. Any of the foregoing could materially adversely affect our results of operations, financial condition and prospects.

We may not be able to engage target customers successfully and to convert such contacts into meaningful orders in the future.

Our success, and our ability to increase revenue and operate profitably, depends in part on our ability to identify target customers and convert such contacts into meaningful orders or expand on current customer relationships. Generally, we design and develop battery systems for our customers, who will then have the ability to evaluate whether our products meet their performance requirements before such customers commit to meaningful orders.

RISK FACTORS

In addition to new customers, our future success depends on whether our existing customers are willing to continue using our products as well as whether their product lines continue to incorporate our products. Our products are fully customizable and our EDD efforts strive to create products that are on the cutting edge of technology, but competition in our industry is high. For instance, if our customers start to develop and manufacture EV battery systems equipped with their products by themselves in an effective manner, we may fail to maintain business relationships with them. To secure acceptance of our products, we must constantly develop and introduce higher-performing and more cost-effective battery systems with enhanced safety and performance to meet evolving industry standards. If we are unable to meet our customers’ performance requirements or industry specifications, retain target customers, or convert early trial deployments into meaningful orders, our business, prospects, financial condition and operating results could be materially adversely affected.

Any inability to manage our growth could disrupt our business and reduce our profitability.

Our manufacturing facilities have expanded in recent years. We expect our operations to grow in terms of both headcount and number of manufacturing facilities, and we also intend to expand our international operations, in particular in India and the United States. Our growth has placed significant demands on our management and our administrative, operational and financial infrastructure. Continued expansion increases the challenges we face in:

- recruiting, training and retaining management, operations and sales personnel while streamlining departments and reducing administrative expenses;
- maintaining effective oversight over personnel and offices;
- maintaining control over product quality;
- capitalizing on economies of scale;
- coordinating work among manufacturing facilities and maintaining high resource utilization rates;
- maintaining and improving effectiveness of our internal control, risk monitoring and control systems;
- developing and improving internal systems and infrastructure, particularly financial, operational, inventory management and communications systems; and
- complying with laws, regulations and policies in markets outside of China.

RISK FACTORS

If our products fail to perform as expected or have technical defects, or our estimates about warranty expenses differ materially from our actual claims, or if we are unable to estimate future warranty expenses accurately for new products, our reputation, business and financial results could suffer significantly.

Our battery systems and their components, including battery modules and BMS, could contain defects in design and production that may cause them not to perform as expected or need repairment. Although we have not been involved in any material product quality accident, product recalls or other similar events during the Track Record Period and subsequently up to the Latest Practicable Date, there is no assurance that we will not be involved in those events in the future. If our products contain material defects, do not function as anticipated or are not consistent with industry standards or customers' expectations, it may result in delivery delays, product recalls, negative publicity, product liability claims and significant warranty and other expenses and could have a material adverse impact on our reputation, business, prospects, financial condition and results of operations.

We bear the risk of extensive warranty claims long after we ship our products and recognize revenue. Our warranty reserves are based on our assumptions and judgment regarding a number of factors, including historical information about the nature, frequency and average cost of warranty claim settlements as well as product manufacturing and industry developments and recoveries from third parties. Some of these factors are beyond our control, such as defective products or recalls by our suppliers. We do not have a long history of making such assumptions. As a result, these assumptions could materially differ from the actual performance of our EV battery systems, causing us to incur substantial unanticipated expenses to repair or replace defective products in the future or to compensate customers for defective products, even if the defects are caused by products from our suppliers. Our failure to accurately predict future claims or assert a claim for damages against our suppliers for their defective products could result in unexpected volatility in, and have a material adverse effect on, our financial results.

An increase in the defect rates of our products or a recall may require us to increase our warranty reserves, which could adversely affect our financial results. Although we conduct quality testing and inspections, it is difficult to test our products in an environment simulating the entire warranty periods. In particular, unknown issues may surface after extended use, and due to the warranty periods we bear the risk of extensive warranty claims long after we ship our products and recognize revenues.

Warranty claims with respect to products we launched years ago may be costly to repair or replace for reasons beyond our control, such as the lack of spare parts because certain components have become obsolete or the original supplier has gone out of business. On the other hand, warranty claims with respect to newly introduced products may also exceed our estimated warranty reserves due to lack of historical data and issues unknown in the development stage. These issues could adversely affect our market reputation and revenues, giving rise to potential warranty claims by our customers and end consumers. As a result, we may be subject to unexpected warranty costs and associated harm to our financial results.

RISK FACTORS

In addition to the standard warranty offered, in order to protect our brand image and reputation and enhance our relationships with customers, we may work with our customers to implement voluntary recalls or other after-sales services even if our products comply with the safety standards of relevant laws and governmental regulations. If we incur significant costs related to recalls or other after-sales services, our financial condition and results of operations may be adversely affected.

We operate in a highly competitive industry and are subject to pricing pressures, and may not compete effectively against our current and future competitors.

The market for our products is highly competitive, rapidly evolving and fragmented. We face competition from various industry participants, including independent EV battery systems providers, EV battery systems providers affiliated with automobile OEMs, and EV battery systems providers affiliated with battery cell manufacturers, as well as new market entrants. In addition, our customers or our suppliers of key components may integrate the value chain vertically and start competing with us.

Some of our competitors have longer operating histories and significantly greater financial, technical, marketing and other resources than we possess. As a result, these competitors may adapt to new or emerging technologies and changes in customer requirements more quickly. They may also devote greater resources to the R&D, promotion, sale and support of their products. In addition, our competitors may establish or strengthen cooperative relationships with customers with which we have relationships, including forming joint ventures with our customers, limiting our ability to promote our products with these customers.

In addition, our competitors may reduce prices in order to gain a competitive advantage, capture market share, or compensate for declines in sales activity. To the extent we do not match or remain within a reasonable competitive margin of our competitors’ pricing or reduce our operating costs to offset pricing reductions, or if we cannot otherwise compete effectively, our revenues and results of operations, financial condition, liquidity and cash flows could be materially adversely affected.

Our upstream or downstream players may bypass us in the value chain.

While we offer customized and consistently high-quality products to our customers as an EV battery solutions provider, we do not manufacture battery cells ourselves. We cannot assure you that our upstream or downstream players will not develop their own designs and bypass us in the value chain. For example, our suppliers may sell battery cells with control or protection systems similar to ours to other customers, or our customers may source battery cells directly from our suppliers and assemble them with their own control or protection systems. Any of the forgoing could reduce our market share, revenue and profitability, and harm our reputation and customer relationships, which could materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

We are subject to risks associated with joint ventures and strategic alliances.

We have entered into, and may in the future enter into, strategic alliances, including joint ventures or minority equity investments, with various third parties. These alliances could subject us to a number of risks, including risks associated with sharing proprietary information.

Non-performance by third parties and increased expenses in establishing the alliances, any of which may materially adversely affect our business. We may have limited ability to monitor or control the actions of these third parties. If any of them suffers negative publicity or harm to their reputation, we may also suffer negative publicity or harm to our reputation by virtue of our association with them.

In February 2017, we established a joint venture, Octillion JV, with JAC. We and JAC each hold 50% of the equity interests in the joint venture. Pursuant to the joint venture arrangement, we are primarily responsible for assisting Octillion JV with the design and development of EV battery systems and the construction of production lines, while JAC is primarily responsible for assisting Octillion JV with the procurement of production sites and product sales. For further details, see the section headed “Business — Sales, Customers and Marketing — Major Customers.” We may also establish joint ventures with other customers in the future.

If any of our joint ventures fails to achieve the success we expect, we may not recoup our investment or achieve our desired returns. In addition, if a joint venture is unsuccessful or results in disputes with our joint venture partner, our relationships with JAC and other customers could deteriorate, which could seriously harm our business. Furthermore, potential new customers may be unable or unwilling to purchase EV battery systems from us due to our joint ventures or alliances with JAC or other competing customers.

The global shortage in the supply of ICs may disrupt our operations and adversely affect our business, results of operations, and financial condition.

Since October 2020, the supply of ICs used for automotive manufacturing has been subject to a global shortage following the disruption to semiconductor manufacturers due to the COVID-19 pandemic and an increase in global demand for electronic products. As a result, our average purchase cost for ICs increased during the Track Record Period. Moreover, there are various sanctions and export controls related to the trade of advanced ICs being announced or implemented, which have also affected the supply of ICs globally. We might not be able to pass on increases in the cost of ICs to our customers. It is unclear when the global shortage for ICs will be alleviated. Although as of the Latest Practicable Date, we had not experienced any disruption in the manufacture of our battery systems due to a shortage in the supply of chips, we cannot assure you that we will be able to continue to obtain sufficient amount of chips or other semiconductor components at a reasonable cost. Also, to the best of our knowledge, none of the core materials, suppliers or the corresponding upstream players have been subject to export or import restrictions or other sanctions that may disrupt our supply chain, nor have our customers experienced any supply restrictions or trade controls, or been subject to sanctions related to semiconductor chips or other major components which materially affected their

RISK FACTORS

business during the Track Record Period and subsequently up to the Latest Practicable Date. However there is no assurance that they will not be materially affected by supply restrictions, trade controls or sanctions on semiconductor chips or other major components in the future. In addition, similar to other components, many of the semiconductor components used in our battery systems are purchased by us from a limited number of sources. If the suppliers for the semiconductor components become unable to meet our demand on acceptable terms, or at all, we may be required to switch to other suppliers, which could be time consuming and costly. If we fail to find alternative suppliers in time, or at all, our production and deliveries could be materially disrupted, which may materially and adversely affect our business, results of operations, and financial condition.

Our failure to keep up with rapid technological changes and evolving technological standards may cause our products to become obsolete or less marketable, resulting in loss of market share to our competitors or a decrease in demand for our products due to substitute products.

The battery system market is characterized by changing technologies and evolving technological standards, which are difficult to predict. This, coupled with frequent introduction of new products and models, has shortened product life cycles and may render our products less competitive, or even obsolete or unmarketable. For example, our customers may adopt new or competing technological standards or design requirements or turn to new renewable power driven vehicles with which our products are not compatible. According to the F&S Report, in addition to lithium-ion batteries, other competitors are developing other alternative technologies that can produce renewable power, such as hydrogen fuel cells and solar cells, which could become attractive alternatives to solutions driven by lithium-ion batteries. Accordingly, our design and production lines may become obsolete or necessitate significant investments to retool to comply with relevant market trends, standards or requirements.

Our ability to adapt and respond to evolving technological standards in a timely and cost-effective manner and anticipate future standards and market trends will be a significant factor in maintaining and improving our competitive position and our prospects for growth. To achieve this goal, we have invested and plan to continue investing financial resources in our EDD infrastructure. For the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, our research and development expenses amounted to RMB103.8 million, RMB150.6 million, RMB250.2 million and RMB77.3 million, representing 4.0%, 2.8%, 8.1% and 8.1% of our revenue during the same periods, respectively. We expect that our R&D expenditures will continue to increase. As EDD activities are inherently uncertain, we cannot assure you that we will continue to achieve desirable developments from our EDD activities and successfully commercialize such developments. Consequently, our EDD efforts may not yield the results as expected. On the other hand, our competitors may improve their technologies more cost-efficiently or respond and adapt to the market changes more quickly and effectively, or even achieve technological breakthroughs that would render our products obsolete or less marketable. Therefore, our failure to effectively keep up with rapid technological changes and evolving industry standards by introducing new and enhanced products may cause us to lose our market share and to suffer a decrease in our revenue.

RISK FACTORS

We are exposed to inventory obsolescence risk.

Our inventory consist of finished goods, raw materials, work in progress and contract costs. As of December 31, 2021, 2022 and 2023 and April 30, 2024, our inventory balances amounted to RMB241.1 million, RMB565.1 million, RMB645.5 million and RMB543.5 million, respectively. Managing our inventory effectively is essential to our operations. We make our purchasing decisions on demand forecasts based on our experience, number of orders from customers and assessment of customer demand. However, forecasts are inherently uncertain. Multiple factors can influence this demand, including seasonality, product launches, pricing strategies, potential product defects, and evolving consumer behaviors and preferences.

There is no certainty that our inventory levels will always match customer demands, which may adversely affect our sales. Ineffectual inventory management could expose us to risks like inventory obsolescence, a decline in inventory value, and significant inventory write-offs. These challenges may materially and adversely affect our business, results of operations and financial condition. If we miscalculate product demand, or if there are lapses in our suppliers’ timely provision of quality materials, inventory shortages might ensue. These shortages could erode brand loyalty, lead to revenue loss, and jeopardize our business reputation, negatively affecting our operations, financial position, and overall liquidity.

If we cannot continue to develop new products in a timely manner and at favorable margins, we may not be able to compete effectively.

The battery system industry has been notable for the pace of innovations in product life, product design and applied technology. We and our competitors have made and continue to make, investments in R&D with the goal of further innovation. Our ability to create new products and line extensions and to sustain existing products is affected by whether we can, among other things:

- develop and fund research and technological innovations;
- receive and maintain necessary intellectual property protections;
- obtain governmental approvals and registrations;
- comply with governmental regulations; and
- anticipate customer needs and preferences successfully.

The failure to develop and launch successful new products could hinder the growth of our business and any delay in the development or launch of a new product could also compromise our competitive position. If competitors introduce new or enhanced products that significantly outperform ours, or if they develop or apply manufacturing technology that permits them to manufacture at a significantly lower cost relative to ours, we may be unable to compete successfully in the market segments affected by these changes.

RISK FACTORS

A reduction in or elimination of government subsidies and policy incentives could cause demand for our products and our revenues to decline.

We believe that the near-term growth of the markets for EVs and EV battery systems partially depends on government subsidies and policy incentive that were designed to stimulate the market and support the production of EVs and the development of battery technology. As a result, national and local governments in many countries, including China and India, have provided subsidies and policy incentives that promote the use of EVs and other clean-tech vehicles. These subsidies and incentives include:

- direct subsidies;
- tax exemptions and preference;
- priority in license plate issuances; and
- other incentives to manufacturers and purchasers of EVs and manufacturers of EV battery systems products.

The PRC government has promulgated, amended and updated regulations and policies relating to the EV industry. For further details, see the section headed “Regulatory Overview — Laws and Regulations in relation to Our Business in the PRC — PRC Regulatory Overview — Regulations and policies relating to EV industry.” Government subsidies and policy incentives could decrease, be delayed or cease altogether, which may have an adverse impact on our product’s end markets, which in turn might adversely affect the demand of our products. Any reduction in national subsidies will also lower the maximum local subsidies provided. For example, according to the Notice on Improving the Financial Subsidy Policies for the Promotion and Application of New Energy Vehicles (《關於完善新能源汽車推廣應用財政補貼政策的通知》), released on April 23, 2020, which was further confirmed on December 31, 2020 and December 31, 2021, save in areas such as public transportation, the subsidies for NEV purchases from 2020 to 2022 will generally be reduced by 10%, 20% and 30%, respectively, based on the level of the previous year, and the total number of NEVs sold in China that will be entitled to such subsidies should be no more than two million each year. This national NEV subsidy policy has expired on December 31, 2022. On June 19, 2023, the MIIT, the SAT and the MOF promulgated the Announcement on the Continuation and Optimization of Vehicle Purchase Tax Relief Policies for New Energy Vehicles* (《關於延續和優化新能源汽車車輛購置稅減免政策的公告》), which further states new energy vehicles purchased during the period from January 1, 2024 to December 31, 2025 are exempted from vehicle purchase tax, of which the tax exemption for each new energy passenger car shall not exceed RMB30,000, and the vehicle purchase tax will be halved for new energy vehicles whose purchase date is from January 1, 2026 to December 31, 2027, in which the tax reduction for each new energy passenger car does not exceed RMB15,000.

RISK FACTORS

In addition, in the context of the national goal of carbon neutrality, the China energy storage market had seen the introduction of a series of favorable policies. For instance, the Action Plan for Carbon Dioxide Peaking Before 2030 issued by the State Council in 2021 unveiled a series of action plans to accelerate energy storage development. Any policy changes could significantly reduce or eliminate subsidies or policy incentives, including changing the scope of products that qualify for subsidies. These changes could reduce demand for EVs, which in turn could reduce demand for our products, and therefore materially adversely affecting our business and financial condition.

In India, the merit rate of duty for the import of batteries into India for non-automotive purposes is 20%, while the Indian government provides 5% concessional rate of import duty (up to March 31, 2026 subject to the Indian government extending the applicability of the concession) for lithium-ion cells for use in the manufacture of battery or battery pack of electrically operated vehicles or hybrid motor vehicles. However, we cannot assure you that the policy will always be favorable to us in the future.

We face risks associated with the long development and implementation cycles for our technology platforms and products that require us to make significant resource commitments prior to receiving revenues for those products.

We have long development and implementation cycles for our technology platforms and products, with a six to nine months design-to-suit development cycle and three to four months make-to-suit ramp-up cycle. These technology platforms and products require significant upfront investments of capital, time and other resources by our customers and us. Generally, a long design and validation period elapses before we commence delivering our products. Before committing to our products, potential customers require us to expend substantial time and resources developing customized EV battery systems, testing our products and assessing the feasibility of integrating our products with their vehicles.

As a result, the development cycle for our customer program, and our sales efforts prior to commencing the design phase, remain subject to uncertainties and delays over which we have little or no control. These uncertainties and delays include our customers' decision to choose alternatives to our products, the timing of our customers' internal approval processes, and delays in integrating our products in vehicles.

We typically incur significant research and development expenses and may incur business development expenses in the future before customers commit to the next stage of design or full production. If we do not obtain such commitments, we record no revenues and may receive inadequate reimbursement for such expenses. These factors could seriously harm our business and operating results.

RISK FACTORS

We rely on complex machinery for our operations, and production involves a significant degree of risk and uncertainty in terms of operational performance and costs.

We rely heavily on complex machinery for our operations, and our production involves a significant degree of uncertainty and risk in terms of operational performance and costs. Our manufacturing facilities contain large-scale machinery combining many components. These components are likely to suffer unexpected malfunctions from time to time and will depend on repairs and spare parts to resume operations, which may not be available when needed. Unexpected malfunctions of the manufacturing facility components may significantly affect the intended operational efficiency. Operational performance and costs can be difficult to predict and are often influenced by factors outside of our control, such as, but not limited to, environmental hazards and remediation, costs associated with decommissioning of machines, difficulty or delays in obtaining governmental permits, damages or defects in electronic systems, industrial accidents, fire, and natural disasters. There were no material accidents or work injuries during the Track Record Period and up to the Latest Practicable Date. However, should operational risks materialize, it may result in the personal injury to or death of workers, the loss of production equipment, damage to manufacturing facilities, monetary losses, delays and unanticipated fluctuations in production, environmental damage, administrative fines, increased insurance costs and potential legal liabilities, all which could have a material adverse effect on our business, results of operations, financial condition or prospects.

Our interests in leased properties may be defective and we did not complete lease registration for certain properties.

As of the Latest Practicable Date, we had not registered nine of our lease agreements with the relevant PRC governmental authorities in accordance with PRC laws and regulations and may be ordered by the PRC government authorities to rectify such non-compliance and, if we fail to do so within a given period of time, we may be subject to fines ranging from RMB1,000 and RMB10,000 for each of our unregistered lease agreements. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from relevant lessors. For further details, see the section headed "Business — Property Interests." As of the Latest Practicable Date, we were not aware of any action, claim or investigation being conducted or threatened by the competent government authorities with respect to the defects in our leased properties. However, we cannot assure you that we will not be subject to any penalties arising from the non-registration of our lease agreements and any disputes arising out of the defects in our leased properties in the future.

We may not be able to renew the lease for our existing manufacturing facilities and offices on favorable terms or at all and we may be subject to eviction or compulsory land acquisitions.

We lease certain of our premises for offices, manufacturing and warehousing in China, India and the United States as set forth in the section headed "Business — Property Interests." Our lessors may opt not to renew the leases or may wish to increase the rent or change other terms and conditions and we will have to negotiate the terms of renewal. We may not be able

RISK FACTORS

to renew the relevant lease agreements on terms and conditions which are acceptable to us, or if our leases are not renewed, we may not be able to obtain alternative premises on comparable terms on a timely basis, or at all. In addition, the leases may be invalid as the lessors may not have proper title to the properties, and we are subject to the risk of being evicted from the properties and demolition of the buildings on the properties. In the event that we need to close down our relevant facilities upon expiry of a lease or because of the said title defects, our business may be disrupted and we may incur extra costs to relocate, and our business operations and financial condition may be adversely affected. In addition, the PRC government has the statutory power to acquire real estate property for public interest. In the event of any compulsory acquisition by government of any of the properties at which our manufacturing facilities are situated, we will be forced to relocate to other locations, which could adversely affect our business, financial condition and results of operations.

We may not successfully implement or manage our planned manufacturing expansion or realize the expected benefits of this expansion as they are subject to regulatory approvals and may be subject to delays and cost overruns.

We plan to expand our manufacturing facility and expect to increase our overall annual manufacturing capacity. In the long term, we may build additional production lines to expand our manufacturing capacity.

Our production line installation works are subject to broad and strict government supervision and approval procedures in China and India, including:

- project approvals and filings;
- environmental protection approvals;
- pollution discharge permits;
- work safety approvals; and
- the completion of inspection and acceptance by relevant authorities.

We may not achieve the target capacities, cost savings and efficiencies that we anticipate. In addition, we may not obtain necessary permits, overcome operational challenges or have sufficient funding to complete any expansion projects. In the event that we encounter significant delays in obtaining or renewing the necessary government approvals for any of the works involved for the expansion of our manufacturing facilities, our development plans, business, financial condition and results of operations may be adversely affected. Conversely, even if we build an additional plant, demand for our products may not increase commensurately with increased manufacturing capacity. Any failure to realize the anticipated benefits of our capacity expansion plans could seriously harm our business, financial condition and operating results.

RISK FACTORS

We engage subcontractors for our manufacturing operations and after-sales services.

During the Track Record Period, we usually engaged subcontractors to (i) customize our BMS by applying surface mounted technology, or SMT, into our BMS production on a project-by-project basis in order to save capital investments into a SMT production line; and (ii) perform after-sales services if we do not have any self-owned service centers in the relevant location. For further details of the above arrangement, see the section headed “Business — Raw Materials and Suppliers — Subcontractors.” For the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, total amount paid to these subcontractors amounted to RMB40.2 million, RMB33.3 million, RMB83.9 million and RMB25.2 million, representing 1.7%, 0.7%, 3.2% and 3.1% of our total cost of revenues, respectively.

Although we maintain a list of subcontractors, subcontractors may not always be readily available or available in commercially acceptable terms when our needs arise. If we were unable to engage and retain qualified subcontractors, or they are not able to provide the services in time, our ability to complete the production of our products could be impaired. If the subcontractor fails to provide services as required under the contract for any reason, we may be required to source the services on a delayed basis or elsewhere, or at a price higher than anticipated, which could impact our profitability.

Apart from any significant increase in the subcontracting costs that may adversely affect our profitability, we may also not be able to monitor the performance or control the quality of these subcontractors as directly and efficiently as with our own staff. We may be exposed to other legal liabilities if we are not able to monitor the performance of our subcontractors, or if they violate any laws, rules or regulations in relation to health and safety matters. We are also exposed to risks associated with non-performance, delayed performance or sub-standard performance of our subcontractors or its employees which may result in a delay in the delivery of our works. We may also incur additional costs due to delay in schedule or if there is any defect in the works performed by the subcontractors. These events may impact upon our profitability, financial performance and reputation, as well as result in litigation or damages claims. Further, even if we are entitled to be indemnified by our subcontractors in respect of losses suffered as a result of their acts or negligence, our reputation may be negatively affected and our chance to be fully indemnified from such losses will also be dependent upon their financial resources. If we are unable to recover such losses, our business, results of operations and financial condition could be adversely affected.

We are subject to risks by engaging third party service providers.

We rely heavily on third party transportation companies to deliver raw materials, parts and components to our manufacturing facilities and to ship finished products to our customers. Transport operations face various risks, such as extreme weather conditions, manpower shortages, work stoppages and operating hazards. If due to transportation problems we cannot

RISK FACTORS

ship finished products or obtain raw materials in adequate quantities in a timely manner, or if the cost of these services changes significantly, our customer relationships, business and operating results could be materially adversely affected.

We also engage certain third-party financial institutions for depository, foreign exchange and other relevant services. On March 10, 2023, Silicon Valley Bank was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation as receiver. On March 12, 2023, Signature Bank was also closed by the New York State Department of Financial Services. The failure of any banks or financial institutions can have a significant impact on the financial ecosystem, leading to systemic risks such as a loss of confidence in the financial system, lack of liquidity, fluctuations in capital markets and potential economic downturns. Historically, we had certain amounts of deposits with Silicon Valley Bank, which had already been fully withdrawn by March 2023. Moreover, we regularly maintain significant cash balances with other financial institutions that are uninsured. Any failure of a financial or depository institution to return deposits to us could materially and adversely impact our cash and cash equivalents, operating liquidity and financial condition.

The failure of our suppliers, customers or other business partners to maintain their brand name, quality or reputation may materially and adversely impact our business, results of operations and financial condition.

We procure raw materials and components from suppliers, such as battery cell manufacturers. We rely on the market acceptance of and confidence in the reliability and quality of our suppliers’ products but do not have control over their brand name, quality or market reputation. In addition, any quality issue relating to the raw materials and components supplied, such as fuel cell failure, or any decline in the trust and acceptance by our customers on the brands of our suppliers or their products may materially and adversely affect our business and results of operations.

Similarly, any quality or reputational issues in relation to our major customers may affect their ability to market and sell their products successfully, and may ultimately materially and adversely harm the brand image or reputation of us and our products if our products are perceived to be defective or any negative publicity are drawn from such issues. Also, our customers and suppliers’ sustainability- or ESG-related matters, climate change, or legal, regulatory or market responses thereto, may have an adverse impact on our business and results of operations. Although we have not been materially impacted by any brand name, quality or reputational issues involving our suppliers, customers or other business partners during the Track Record Period and up to the Latest Practicable Date, there is no assurance that we will not be impacted by such events in the future. Any of the forgoing could lead to a decrease in purchase orders and could materially and adversely affect our business, results of operations, and financial condition.

RISK FACTORS

If we are subject to negative publicity or are unable to establish and maintain confidence in our long-term business prospects among customers and within our industry, our brand and reputation, financial condition, results of operations and business prospects may be materially and adversely affected.

Complaints, disputes, or other negative publicity that arise about our industries in general or us in particular, including on the quality, effectiveness and reliability of our products and services, even if groundless, could adversely affect our reputation and the trust and confidence customers and other business partners have in us. Customers may be less likely to purchase our products if they are not convinced that our business will succeed, our products will meet their requirements or that our service and support and other operations will continue in the long term. Similarly, suppliers and other third parties will be less likely to invest time and resources in developing business relationships with us if they are not convinced that our business will succeed. Accordingly, in order to build and maintain our business, we must maintain long-term confidence among customers, suppliers and other business partners.

Maintaining such confidence may be particularly complicated and affected by certain factors including those that are largely outside of our control, such as customers' unfamiliarity with our products, shortage of raw materials for manufacturing our products, changes in technology, third party delivery and other services, new market participants and competition, future changes in the evolving hybrid electric and electric vehicle market or uncertainty regarding our production and sales performance compared with market expectations.

Safety incidents caused by lithium-ion battery cells may subject us to warranty and product liability claims and result in negative public perception of the EV industry.

The EV battery systems that we produce utilize lithium-ion cells, which are susceptible to thermal runaway. At times, they can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium-ion cells. Incidents of smoke and flames may occur in EVs that utilize battery systems containing these cells, resulting in injuries to passengers in the vehicles.

While we have designed our EV battery systems to passively contain any single cell's release of energy without spreading to neighboring cells, a field or testing failure of our EV battery systems could occur. In addition, we use lithium-ion battery cells in our manufacturing process and store a significant number of lithium-ion battery cells at our facilities. Any mishandling of battery cells may disrupt our facilities. Although no such incident has occurred in the past during the Track Record Period and up to the Latest Practicable Date, the foregoing could subject us to warranty claims, product liability claims, redesign efforts, safety recalls, lawsuits, production delays, and personal injury and property damage claims, all of which would be time consuming and expensive and would harm our reputation.

RISK FACTORS

Negative public perception regarding the suitability of lithium-ion cells for automotive applications, the quality of EVs utilizing lithium-ion cells, or any incident involving lithium-ion cells such as a vehicle fire, even if the incident does not involve our products or solutions, could materially adversely affect our brand, business and prospects.

Product liability or other claims could harm our financial condition and our reputation.

The risk of product liability claims and associated adverse publicity is inherent in the development, manufacturing, marketing and sale of EV battery systems. Certain materials we use in our EV battery systems could, if used improperly, cause injuries to others.

For example, improperly charging or discharging our EV battery systems could cause fires. Any accident involving our EV battery systems could decrease demand for our products. In addition, because most of our battery systems are designed for use in vehicles, and because vehicle accidents can injure people and damage property, we face risks of claims for such injuries and damages. As an EV battery system provider, we are generally obligated to indemnify our customers for their losses caused by successful products liability claims before we can seek indemnification from suppliers of the product components that give rise to the claim.

We could face adverse publicity resulting from problems or accidents caused by products that incorporate or are incorporated in our EV battery systems. For example, our business could suffer from adverse publicity from injuries to people or damage to property caused by defective battery cells used in our EV battery systems manufactured by suppliers.

A successful product liability claim against us could require us to pay a substantial monetary award. Our product liability insurance may be inadequate to cover all product liability claims. In addition, while we often seek to limit our product liability in our contracts, such limits may not be enforceable or may be subject to exceptions. Any product recall or lawsuit seeking significant monetary damages either in excess of our coverage, or outside of our coverage, may seriously harm our business and financial condition.

We have purchased annual product liability and warranty insurance. Under these insurance policies, the insurance companies have agreed to reimburse us, subject to certain maximum claim limits and deductibles, for the actual product warranty costs that we incur under our product warranty policy due to product defects caused by us. We record the insurance premiums as expenses. Each policy provides insurance against warranty costs for products incurred within that policy year. However, warranty claims may exceed the scope or amount of our insurance coverage, materially adversely affecting our business and operating results.

In addition, we may not secure additional product liability insurance coverage on acceptable terms or at reasonable costs when needed. If we were to experience a large insured loss, it could exceed our coverage limits, or our insurance carriers could decline to cover us or raise our insurance rates, any of which could impair our financial position and results of operations.

RISK FACTORS

We may face accidents in our manufacturing process, which could result in significant production interruption, delays or liability claims for substantial damages.

Our manufacturing processes poses certain risks, including industrial accidents or fire, and may result in significant property damage or personal injury. While we have implemented stringent safety procedures in the production process to minimize such risks, accidents may nonetheless occur. Any accident, regardless of where it occurs, may result in significant production interruption and delays or claims for substantial damages caused by personal injuries or property damage.

We may be involved in legal or other proceedings from time to time which may expose us to liabilities, divert our management’s attention and harm our reputation.

We have been, and may in the future be, involved in legal disputes or regulatory and other proceedings relating to, including but not limited to, contractual disputes, product liability claims and disputes with employees and shareholders and potential shareholder derivative actions. For example, in April 2016, Shanghai Taishan, an affiliate of one of our Shareholders, commenced arbitration proceedings against SinoEV Changzhou, Dr. Zhou and our Company in connection with an investment agreement entered into among SinoEV Changzhou, Dr. Zhou, Shanghai Taishan and our Company in 2015. The proceedings resulted in an arbitration award made on August 27, 2018 which declined Shanghai Taishan’s requested remedy for SinoEV Changzhou to accept Shanghai Taishan’s investment and issue equity interests to Shanghai Taishan. However, the arbitration award confirmed the validity of the investment agreement and noted that the respondents, namely SinoEV Changzhou, Dr. Zhou and our Company, had breached obligations under the investment agreement and Shanghai Taishan may commence another proceeding for damages for breach of contract. The respondents were also ordered to pay Shanghai Taishan’s legal costs and the majority of the arbitration fee. As of the Latest Practicable Date, the Company was not involved in any other litigations or arbitrations in relation to the abovementioned investment agreement. However, any such arbitration, lawsuit or other proceedings may subject us to substantial liabilities and may have a material and adverse effect on our reputation, business, financial condition and results of operations. For further details, see the sections headed “History, Reorganization and Corporate Structure — Reorganization — Deregistration of Subsidiaries — (i) Deregistration of 華霆(常州)動力技術有限公司 (SinoEV (Changzhou) Powertrain Technologies Co., Ltd.*) (“SinoEV Changzhou”)” and “Financial Information — Description of Selected Consolidated Balance Sheets Line Items — Trade and Other Payables.”

If we, our Directors or senior management become involved in material or protracted legal proceedings or other legal disputes in the future, we may incur substantial legal expenses and our management may need to devote significant time and attention to handle such proceedings and disputes, thereby diverting their attention from our business operations. Furthermore, especially for contractual disputes, we cannot assure you that the venue and governing law agreed in relevant contracts are always favorable to us. In addition, the outcome of such proceedings or disputes may be uncertain and could result in settlement or outcomes which may adversely affect our business, financial condition and results of operations.

RISK FACTORS

Certain of the Pre-[REDACTED] investment payments received by our Company were settled through third party payors, which may subject us to penalties or result in potential litigations or disputes that may harm our business and reputation.

Certain Series E and Series F investors settled their Pre-[REDACTED] Investment payments with our Company through certain third party payors, which in aggregate amounted to US\$86.4 million (the “**Series E/F Third Party Payments**”). In addition, apart from the Series E/F Third Party Payments, certain investors settled their Pre-[REDACTED] Investment payments with the Company through certain third party payors, which in aggregate amounted to US\$1.3 million (together with the Series E/F Third Party Payments, the “**Third Party Payments**”). We have been advised by our Hong Kong, PRC, U.S. and Cayman Islands legal counsels that, based on the facts and information available, our involvement in the Third Party Payments do not or will unlikely be deemed to violate the applicable anti-money laundering laws under the respective jurisdictions. As of the Latest Practicable Date, no fine or other penalties had been imposed by the relevant government authorities with respect to the Third Party Payments. We have implemented certain enhanced internal control measures which are designed to prevent recurrence of similar third party payment and our Directors are of the view that the Third Party Payments did not and will not have material adverse impact on our Group. For more details, see the section headed “History, Reorganization and Corporate Structure — Third Party Payments — Enhanced Internal Control Measures.” However, we cannot assure you that we will not be subject to fines or other penalties due to the Third Party Payments, which may adversely affect our business, financial condition and results of operations. Furthermore, the third party payors may challenge the legality of these Pre-[REDACTED] Investments. Any potential litigations or disputes, regardless of merit, could cause us to incur significant expenses, divert our management’s attention and harm our reputation.

We may be subject to penalties under PRC laws for underpaying the taxes for certain employees.

In 2021, certain of our PRC subsidiaries (the “**Relevant PRC Subsidiaries**”) paid a portion of salaries to certain employees (not including our Directors) through third-party service platforms (the “**Third-party Payroll Arrangement**”). Under the Third-party Payroll Arrangement, the third-party service platforms withheld and paid individual income taxes in accordance with tax policies applicable to freelancers. Pursuant to applicable PRC laws, units and individuals that are obligated to pay tax are taxpayers and those that are obligated to withhold and remit tax are withholding agent. Where a withholding agent fails to pay or underpays the tax within the prescribed period, or is ordered by the tax authorities to pay within a time limit but fails to pay within the time limit, the tax authorities shall pursue the payment of the amount of tax the withholding agent fails to pay or underpays, and may impose a fine of not less than a half of but not more than five times the amount of tax not paid or underpaid. The Relevant PRC Subsidiaries had stopped using these third-party service platforms by the end of 2021 and made up the shortfall of RMB2.5 million in individual income tax to tax authorities based on the actual salaries of employees.

RISK FACTORS

As advised by our PRC Legal Advisors, the Third-party Payroll Arrangement do not constitute material illegal or non-compliant activities in terms of tax collection and administration for the following reasons: (i) the Relevant PRC Subsidiaries have voluntarily terminated the Third-party Payroll Arrangement within the year, proactively paid the individual income tax to tax authorities based on the actual salaries disbursed to employees (including those paid through the third-party service platforms), transferred the input tax corresponding to the VAT special invoice issued by the third-party service platforms; (ii) neither the Relevant PRC Subsidiaries nor their employees have received any notices from the competent tax authorities ordering them to pay additional taxes due to the Third-party Payroll Arrangement, nor have they been subject to any enforced collection measures; (iii) two of the Relevant PRC Subsidiaries' competent tax authority has confirmed that it is aware of the foregoing subsidiaries' payroll distribution models and their subsequent rectifications, and has explicitly confirmed that these two subsidiaries did not materially violate the laws and regulations with respect to tax collection and administration and they have not been subject to any on-going or potential administrative penalties or investigations; and (iv) we have obtained compliance certificates from competent tax authorities or relevant public credit information service centers, confirming that no penalties had been imposed on these PRC Subsidiaries and no records of violations of laws and regulations were identified with respect to taxation during the Track Record Period.

We may be subject to fines and penalties under PRC laws for failure to make full contributions for social insurance and housing provident funds for our employees.

Under the applicable PRC laws, we are required to contribute, as an employer, to social insurance (including pension fund, unemployment insurance, medical insurance, work-related injury and maternity insurance) and housing provident funds for the benefit of our employees. We estimate the shortfall of contributions for the social insurance for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024 were RMB6.1 million, RMB13.4 million, RMB0.4 million and RMB0.4 million, respectively. We estimate the shortfall of contributions of housing provident funds for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024 were RMB3.4 million, RMB6.9 million, nil and nil, respectively. We have made provision of RMB1.8 million, RMB2.9 million, RMB3.3 million and RMB3.3 million with respect to the outstanding amount of social insurance and housing provident fund contributions as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively. As advised by our PRC Legal Advisors, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments within the prescribed period, we may be liable to a fine of one to three times the amount of the outstanding contributions. Our PRC Legal Advisors have further advised that, under the relevant PRC laws and regulations, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period, failing which, application may be made to a people's court in the PRC for compulsory enforcement. As of December 31, 2023, we had rectified the non-compliance in social insurance and housing provident fund contributions. However, we cannot assure you that we will not be subject to any penalties in

RISK FACTORS

the future and if our provision in our income statements turns out to be insufficient, our business, financial condition and results of operations could be adversely affected. For further details, see the section headed “Business — Employees — Social Security and Pension Contributions.”

We may be subject to penalties as a result of making intra-group advances during the Track Record Period.

During the Track Record Period, Octillion US made certain intra-group advances to Octillion India on various occasions. In particular, in March 2024, Octillion India obtained a U.S. dollar-denominated loan, which increased its foreign currency denominated (“FCY”) external commercial borrowing (“ECB”) to a cumulative total of USD5.25 million. Octillion India had determined that this borrowing level would not result in the FCY ECB exceeding the Liability-Equity Threshold (as defined below), based on its unaudited financials for the year ended December 31, 2023. The Master Directions on External Commercial Borrowings, Trade Credits, and Structured Obligations provides that at the time of increasing the amount of FCY ECB by a company in India, if the total outstanding amount of such ECBs (including the proposed increase) is more than USD5 million or its equivalent, the ECB liability-equity ratio for the total outstanding amount of ECBs must not exceed 7:1 (the “**Liability-Equity Threshold**”), when calculated as per the latest audited balance sheet.

As advised by our Indian legal counsels, the determination of the Liability-Equity Threshold by applying the financial information in Octillion India’s unaudited accounts for the year ended December 31, 2023 constituted a technical mistake as the calculations should have been based on its latest audited balance sheet, which at the time was Octillion India’s audited balance sheet as of December 31, 2022. This would have resulted in the Liability-Equity Threshold being exceeded as the 2022 audited balance sheet would not have the increase in equity of Octillion India in 2023. Our Indian legal counsels are of the view that the technical non-compliance can be remedied by Octillion India filing a compounding application with the Reserve Bank of India and settling the penalty to be imposed by the Reserve Bank of India which is currently expected to be immaterial. As of the Latest Practicable Date, Octillion India was in the process of preparing the submission of the compounding application. However, the final determination of the amount of penalty by the Reserve Bank of India could be different, and we may be subject to further penalties and/or action from Reserve Bank of India as a result of the abovementioned miscalculation.

We may be subject to adverse customs orders that could harm our business, operations and financial condition.

We may be subject to adverse customs orders that could harm our business, operations and financial condition. In September 2023, the Directorate of Revenue Intelligence (“**DRI**”) conducted search and seizure operations at our Indian premises (the “**Incident**”). Certain imported lithium-ion battery cells which amounted to approximately USD7.3 million were detained by the DRI for examination following the Incident, on the grounds of alleged misdeclaration of these battery cells and incorrectly claiming the 5% concessional rate of duty on the import of these battery cells, instead of the 20% import duty. Currently, the merit rate of duty for the import of batteries into India for non-automotive purposes is 20%, while the Indian government provides 5% concessional rate of import duty (up to March 31, 2026 subject

RISK FACTORS

to the Indian government extending the applicability of the concession) for lithium-ion cells for use in the manufacture of battery or battery pack of electrically operated vehicles or hybrid motor vehicles. The lithium-ion battery cells detained were provisionally released upon our fulfillment of certain conditions set forth in a vide order dated October 6, 2023 (the "**Order of Provisional Release of Goods**"), including the execution of a bond of INR609.5 million (equivalent to approximately RMB51.9 million) and a bank guarantee of INR411.5 million (equivalent to approximately RMB35.0 million). We further paid an additional amount of INR14,589 (equivalent to approximately RMB1,242) towards the bond. We have contended that the calculations of the bank guarantee failed to take into account the duty of INR56.6 million (equivalent to approximately RMB4.8 million) paid while clearing the goods by us. After the Incident, Octillion India has continued to import the battery cells as "cells" and pay the import duty at the rate of 5%, with the remaining 15% duty being deposited by Octillion India by way of a bank guarantee in favor of the customs authorities after communications with the relevant authorities. As of April 30, 2024, other than the bond of INR609.5 million (equivalent to approximately RMB51.9 million) placed by Octillion India with undertaking, Octillion India has also issued bank guarantees in favor of Commissioner of Customs in relation to ongoing custom duty incident in India. Octillion India has placed bank deposits of INR944.2 million (equivalent to approximately RMB80.4 million) which are recorded as restricted short-term investments as collateral for the above bank guarantees to permit the potential deduction upon future execution of bank guarantees, if required. An appeal has been filed with the Customs, Excise and Service Tax Appellate Tribunal (the "**CESTAT**") requesting to set aside the bank guarantee amount to the extent of excess differential duty paid of INR56.6 million (equivalent to approximately RMB4.8 million) and to set aside the Order for Provisional Release of Goods and the goods to be cleared without any bond and bank guarantee, or, in the alternative, reduce the bond and bank guarantee to 10% of the actual differential duty amount without penalty or fine or interest against the current 15% differential duty amount without penalty, fine or interest as the issue is of classification of product. As of the Latest Practicable Date, the appeal filed by Octillion India before the CESTAT had been listed for hearing before the CESTAT, however, no hearing had taken place and no show cause notice had been issued by the customs authorities and no further summons had been issued. For any customs issue where duty has not been paid or has been short-paid, the customs authorities are required to, within two years, serve a "show cause notice" on Octillion India to give it an opportunity to file a reply to the issue of non-payment or short-payment. Unless the authorities are of the view that there is evidence of collusion, willful misstatement or suppression of facts, the limitation period for the serving of such "show cause notice" to Octillion India by the customs authorities is ordinarily two years. If any of the aforementioned elements are present, such limitation period may be extended to up to five years. Thereafter on adjudication, in the event the order is not favorable, Octillion India would be entitled to appeal a non-favorable order within sixty days from the date of communication of such order, which may be extended. An order will be passed within a period of six months from the date on which the appeal is filed, and to further appeal in case of an unfavorable outcome. As of April 30, 2024, no provision had been made in relation to the Incident.

RISK FACTORS

In May 2024, the Joint Commissioner of Customs, Import Commissionerate, Mumbai issued a public notice which included the name of Octillion India in the list of importers to whose investigation reports have been issued. The customs authorities initiated an investigation ("**SVB Investigation**") into certain transactions between Octillion India and its related parties: (i) the importation of battery packs from our PRC and US subsidiaries taking place between 2020 and 2021 at prices different than the prices paid by one of our third party customers in India for importation of battery packs from Octillion US ("**Battery Transactions**"); and (ii) invoices raised for tooling design service provided by our PRC subsidiary to Octillion India in 2019 ("**Tooling Services Transaction**"). The Customs Valuation (Determination of Value of Imported Goods) Rules, 2007 (the "**Valuation Rules**") emphasize that the declared value for related party import transactions should reflect the arm's length price, namely the price that would have been paid between unrelated parties for similar goods under comparable conditions. The Valuation Rules further stipulates that the price paid for certain items used in production should be added to the price paid or payable for the imported goods. The customs authorities are of the view that: (i) for the Battery Transactions, since there was a difference between the prices of the related party transactions and the third-party transaction, the assessable value of the battery packs provided to Octillion India by its related parties should be increased to the same level as the battery packs provided to the third party Indian customer by Octillion US; and (ii) for the Tooling Services Transaction, since the tooling design service was indirectly related to the goods imported, the amount payable for the services should have been added to the declared value of the goods imported. Octillion India has been contesting the view of the customs authorities mainly on the basis that (i) for the Battery Transactions, the difference in price of the goods provided to Octillion India by its related parties and the goods provided to the Indian customer by Octillion US was due to the different nature of the goods (semifinished versus finished goods) and other factors; and (ii) the Tooling Services Transaction was imported as a service (instead of goods) and independent of the goods imported by Octillion India. As of the Latest Practicable Date, no show cause notice had been issued in connection with the SVB Investigation. As of April 30, 2024, no provision had been made in relation to the SVB Investigation.

Pursuant to applicable Indian laws, in the event there is any short-levy or non-levy of import duty, and it is found that such duties were payable, the maximum liability for non-compliance will be the payment of the remaining duty and the interest, if any, payable. The evasion of import of duty may be punishable by imprisonment of officer(s) in charge of, or responsible for, the conduct of the company's business up to seven years, in the event it is found that any person knowingly misdeclared the value of any goods, fraudulently evaded or attempted to evade the payment of any duties, or fraudulently claimed any exemption of duty under the relevant Indian law. However, we have been advised by our Indian legal counsels that, based on the facts and information available, they are of the opinion that (i) it is likely that the adjudicating authorities would decide the Incident in our favor, given the defenses available to us and the expert opinions obtained; (ii) the risk of criminal prosecution being initiated is extremely low as we have not knowingly or fraudulently claimed the concessional duty of 5% for the import of the cells, and the Incident and any show cause notice issued in this respect is primarily due to an interpretation in determining the category that the products imported fall under. For the Battery Transactions, as advised by our Indian legal counsels, based on documents supplied by Octillion India, the custom authorities' reliance on a comparison between Octillion India's imports of semi-finished goods from its related parties and our Indian customer's import of finished goods is inconsistent with the applicable law. For the Tooling Services Transaction, as advised by our Indian legal counsels, a demand for the

RISK FACTORS

additional duty is probable, however as the potential additional duty to be paid by Octillion India is expected to be immaterial. As further advised by our Indian legal counsels, the SVB Investigation is a routine procedures conducted by the authorities and did not arise from any non-compliance on the part of Octillion India.

In order to claim a concessional rate of duty, an importer is required to first submit certain information to the customs authorities, including the name and address of the importer, the goods produced at the importer's manufacturing facility, and the particulars set out in the concessional rate of duty notification issued by the customs authorities applicable to such import. If the submitted information is accepted by the authorities, a unique identification number will be generated for the importer (the "IIN"). The importer is also required to submit a continuity bond with surety as required by the customs officials, undertaking to pay the difference between the duty ordinarily leviable and the duty already paid, if any, at the time of import (with interest) for the period starting from the date of import of the goods and ending with the date of actual payment of the entire amount differential duty required to be paid. Thereafter, the importer is required to file bills of entry mentioning the IIN and the continuity bond number, and the customs officials at the relevant customs station will permit the exemption benefit to the importer. Once the bill of entry is cleared by the customs authority, the continuity bond will be automatically debited in the customs authority's system. For subsequent imports, the importer is also required to submit certain monthly returns to the customs authority, through its portal. As confirmed by our Indian legal counsels, we had followed the relevant procedures stipulated by the laws and regulations in claiming concessional rates of duty for importing battery cells into India during the Track Record Period and up to the Latest Practicable Date.

We have limited ability to protect and defend our intellectual property rights, and unauthorized parties may infringe upon or misappropriate our intellectual property, which could harm our business and competitive position.

We have developed know-how and technologies in the manufacturing of our products and provision of our solutions. Such know-how and technologies play a critical role in our quality assurance and cost reduction. We regard our patents, trademarks, copyrights, domain names, know-how, proprietary technologies and other intellectual properties as critical to our success. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringements or misappropriations of our intellectual property rights. We rely on a combination of intellectual property laws, trade secrets and contractual arrangements, including confidentiality and non-compete agreements with our employees and others to protect our proprietary rights. However, the steps we take to protect our intellectual property may not be adequate or effective for various reasons, including the following:

- our pending patent applications may not be granted for various reasons, including the existence of conflicting patents or defects in our applications;
- the patents we have been granted may be challenged, invalidated or circumvented because of the pre-existence of similar patented or unpatented intellectual property rights or for other reasons;

RISK FACTORS

- parties to the confidentiality and invention agreements may have such agreements declared unenforceable or, even if the agreements are enforceable, may breach such agreements;
- the costs associated with enforcing patents, confidentiality and invention agreements or other intellectual property rights may make aggressive enforcement prohibitive;
- even if we enforce our rights aggressively, injunctions, fines and other penalties may be insufficient to deter violations of our intellectual property rights; and
- other persons may independently develop proprietary information and techniques that are functionally equivalent or superior to our intellectual proprietary information and techniques but do not breach our patented or unpatented proprietary rights.

We cannot protect our intellectual property if we cannot enforce our rights or do not detect unauthorized use of our intellectual property. If we fail to protect our intellectual property rights adequately, our competitors may gain access to our technology and our business could be adversely affected. Legal standards relating to the validity, enforceability and scope of protection of intellectual property rights are uncertain. The laws and legal procedures for enforcement of intellectual property rights in jurisdictions where we operate may not provide us with adequate protection. Accordingly, despite our efforts, we may not prevent third parties from infringing upon or misappropriating our intellectual property.

We may expend significant resources in monitoring and protecting our intellectual property rights. We may also pursue litigation to protect our intellectual property rights and protect our trade secrets. Litigation to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management. Litigation could also result in the impairment or loss of portions of our intellectual property.

Our efforts to enforce our intellectual property rights may face defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our failure to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could:

- delay sales or the implementation of our solutions,
- impair the functionality of our solutions,
- delay introductions of new solutions,
- result in our substituting less effective or more costly technologies into our solutions, or
- injure our reputation.

RISK FACTORS

We may be subject to third-party claims of intellectual property infringement.

Considerable patent, copyright, trademark, trade secret and other intellectual property development activities occur in our industry. Our success depends in part on not infringing on the intellectual property rights of others. During the Track Record Period and up to the Latest Practicable Date, we had not been sued for infringement of intellectual property rights by any third party, and we were not aware of any threatened material proceedings, disputes or claims relating to intellectual property rights against us.

Our competitors or other third parties may claim that we are infringing upon their intellectual property rights, and we may be found to be infringing upon such rights. Any claims or litigation, regardless of merit, could cause us to incur significant expenses. If successfully asserted against us, these claims could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our solutions or require that we comply with other unfavorable terms.

Even if the claims do not result in litigation or resolve in our favor, these claims, and the time and resources spent in resolving them, could divert the resources of our management and adversely affect our business and operating results. We expect that the occurrence of infringement claims is likely to increase as the market grows. Accordingly, our exposure to damages resulting from infringement claims could increase and divert our financial and management resources.

Our patent applications may not result in issued patents, which may materially adversely affect our ability to prevent others from commercially exploiting products similar to ours.

Since publication of discoveries in the scientific or patent literature tends to lag behind actual discoveries by several months, we cannot be certain that we are the first creator of inventions covered by pending patent applications or the first to file patent applications on these inventions. We also cannot be certain that our pending patent applications will result in issued patents or that any of our issued patents will afford protection against a competitor. The status of patents involves complex legal and factual questions and the breadth of claims allowed is uncertain. Accordingly, we cannot be certain that the patent applications that we file will result in patents being issued, or that our patents and any patents we register will afford protection against competitors with similar technology. In addition, others may infringe upon or design around patents issued to us, or obtain patents that we need to license or design around, which would increase costs and adversely affect our operations.

We may be unable to adequately prevent disclosure of trade secrets and other proprietary information.

We rely on trade secrets to protect our technologies. However, trade secrets are difficult to protect. We rely in part on confidentiality agreements with our employees, contractors, consultants, suppliers and contractors to protect our trade secrets and other proprietary information.

RISK FACTORS

These agreements may not effectively prevent disclosure of confidential information or provide an adequate remedy in the event of unauthorized disclosure of confidential information. Other parties may independently discover our trade secrets or independently develop processes or products that are similar or identical to our trade secrets.

In addition, litigation to protect trade secrets may be difficult, expensive and ineffective. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

If our products do not meet changing policy requirements on a timely basis, our business may be adversely affected.

If we fail to adapt our EV battery systems to the new policy requirements, our products could become less competitive. For example, in September 2017, the Ministry of Industry and Information Technology of the PRC, or MIIT, the Ministry of Finance of the PRC, or the MOF, the Ministry of Commerce of the People’s Republic of China, or MOFCOM, the General Administration of Customs, and the General Administration of Quality Supervision, Inspection and Quarantine promulgated the Measures for the Parallel Administration of Average Fuel Consumption and New Energy Vehicle Credits for Passenger Vehicle Enterprises, which was amended in June 2020 and June 2023 respectively, and came into force on August 1, 2023. These measures introduced a “corporate average fuel consumption credit,” or CAFC credit and a NEV credit by imposing compulsory CAFC credit targets on all automobile manufacturers and NEV credit targets on automobiles manufacturers selling at least 30,000 conventional vehicles annually starting from 2019. Under the NEV credit system, vehicle manufacturers will need to obtain new energy credits equivalent to 10%, 12%, 14%, 15% and 18% of their annual vehicle sales by 2019, 2020, 2021, 2022 and 2023, respectively. The amount of credits vehicle manufacturers receive will vary depending on the energy efficiency, driving range and certain other key figure of merits of the vehicles they produce. Manufacturers that fail to meet the credit targets requirements could face fines or be required to buy credits from other manufacturers.

We have long development cycles for our EV battery systems, with a six to nine months design-to-suit development cycle and three to four months make-to-suit ramp-up cycle. In addition, we typically incur significant R&D expenses and may incur business development expenses before customers commit to full production. If we fail to complete our design and development of an EV battery system for a vehicle model sufficiently in advance of the next policy requirement change, our customers may abandon the model before or shortly after we commence full production of the EV battery systems for the model. These factors could seriously harm our business and operating results.

RISK FACTORS

Our working capital requirements involve estimates based on expected demand and timely payment by our customers, and may decrease or increase beyond those anticipated, harming our operating results and financial condition.

To fulfill our customers’ product delivery requirements, we plan for working capital needs before receiving customer orders. We base our funding and inventory decisions on estimates of future demand and pricing trends of raw materials. If demand for our products does not increase as quickly as we have estimated or drops off sharply, our inventory and expenses could rise, and our business and operating results could suffer.

Alternatively, if our sales exceed estimates, our working capital needs may be higher than previously anticipated. Our ability to meet excess customer demand depends on our ability to arrange additional financing for any ongoing working capital shortages, since cash flows from sales will likely lag behind these investment requirements.

We may have difficulty collecting payments from customers in a timely manner. For example, we may experience delays or losses with respect to collecting payments from customers that go bankrupt or face financial difficulties. In addition, the markets for EVs and EV battery systems are at a relatively early stage of development and partially depend on government subsidies. If these government subsidies are not granted to our customers on a timely basis, our customers may not be able to pay us on a timely basis. This could materially adversely impact our cash flows and impair our business and operating results.

We are exposed to credit risk of our customers and failure to collect our trade receivables in a timely manner may affect our financial condition and results of operations.

Our average trade receivables turnover days were 55.1 days for 2021, 53.7 days for 2022 and 109.5 days for 2023 and 93.9 days for the four months ended April 30, 2024. As of December 31, 2021, 2022 and 2023 and April 30, 2024, our trade receivables amounted to RMB140.3 million, RMB982.3 million, RMB713.6 million and RMB464.6 million, respectively. Receivables written off during the year as uncollectable amounted to RMB2.9 million, RMB384.0 thousand, RMB7.4 million and RMB0.3 million in 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively. Should the credit worthiness of our customers deteriorate or should a significant number of our customers fail to settle their trade receivables in full for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected. In addition, there may be a risk of delay in payment by our customers from their respective credit period, which in turn may also result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade receivables from customers or that they will settle our trade receivables in a timely manner. In the event that settlements from customers are not made on a timely manner, or at all, our financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

We face risks associated with fair value changes of certain financial assets that require judgment and assumptions which are inherently uncertain.

As of December 31, 2021, 2022 and 2023 and April 30, 2024, our financial assets at fair value through other comprehensive income was RMB511.6 million, RMB540.3 million, RMB271.0 million and RMB356.2 million, respectively, including (i) notes receivables of RMB360.4 million, RMB540.3 million, RMB271.0 million and RMB356.2 million, respectively, which were due from customers arising from ordinary course of business; and (ii) accounts receivable factoring of RMB151.1 million, nil, nil and nil, respectively, mainly in relation to our factoring arrangements in 2021 with respect to trade receivables from Customer C, one of our major customers. Such financial assets are measured at fair value with reference to discounted cash flow. Future cash flows are estimated based on contracted interest rates, discounted at a rate that reflects the credit risk of various counter parties. The fair value change of these financial assets may significantly affect our financial position and results of operations. Factors beyond our control can significantly influence and cause adverse changes to the estimates 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 the stability of capital markets. Any of these factors, among other things, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition. In addition, the process for determining whether an impairment of financial asset is other-than temporary usually requires complex and subjective judgments, which could subsequently prove to have been wrong.

We invested in short-term investments, which may expose us to default risk and adversely affect our business, financial condition and results of operations.

We invested in a number of bank wealth management products issued by or sold through reputable banks as part of our treasury management operations. We also had short-term investments in the amount of RMB3.2 million, RMB515.2 million, RMB643.0 million and RMB455.9 million as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively. During the Track Record Period, we had not encountered any material losses from the default of our bank wealth management products. However, as we are subject to default risk associated with these bank wealth management products, we cannot assure you that we will receive investment income or will not incur financial losses from our bank wealth management products before they reach maturity. Changes of unobservable inputs such as annual interest rate will change the fair value of our bank wealth management products. In the event that we incur financial losses from these bank wealth management products, our business, financial condition and results of operations may be adversely affected.

RISK FACTORS

To fund our growth strategy, expand our operations and invest in our products and manufacturing facilities, we depend on external sources of capital, which may not be available to us on commercially reasonable terms or at all.

Our growth depends on the availability of external sources of capital. Our ability to access capital on favorable terms depends on a number of factors, many of which are outside of our control, including:

- general market conditions;
- market liquidity;
- our credit rating;
- interest rates;
- market perception of our growth potential; and
- our historical and expected future earnings and cash flows.

In addition, our ability to access additional capital may be limited by the terms of our existing indebtedness, which, among other things, restricts our incurrence of debt and the payment of dividends. As a result, we may not be able to obtain external sources of capital on commercially reasonable terms or at all. If we cannot obtain capital when needed, we may not be able to fund our growth strategy, expand our operations or invest in our products and manufacturing facilities, materially adversely affecting our future growth.

The agreements governing our indebtedness place restrictions on us and our subsidiaries, reducing operational flexibility and creating default risks.

The agreements that govern our indebtedness may contain customary negative covenants and other financial and operating covenants that restrict us and our subsidiaries. These covenants could reduce our flexibility in conducting our operations, limit our flexibility in planning for, or reacting to, changes in our business and industry, and limit our ability to engage in activities that may be in our long-term best interests.

These activities may include the ability to make acquisitions or take advantage of other business opportunities, any of which could materially adversely affect our business, operating results and financial condition. Our failure to comply with these covenants could also result in an event of default that may result in the acceleration of all or a substantial portion of our debt (which might also cause cross-defaults with respect to our other debt obligations).

RISK FACTORS

Our success depends on our ability to retain our senior management, including Dr. Zhou, and other personnel in various departments, and our operations may suffer if we fail to attract and retain highly competent senior management.

Our success and future growth depend largely upon the continued services of our executive officers and other employees in EDD, marketing, sales, services and general administrative functions. The loss of one or more of our executive officers, particularly our principal founder and chief executive officer, Dr. Zhou, or the failure of our senior management team to work with our employees and lead our company effectively, could adversely affect our business.

In addition, we must attract and retain highly qualified personnel to execute our growth plan. Competition for these personnel is fierce, especially for engineers experienced in designing and developing battery systems, experienced sales professionals, and other personnel in provincial cities where we operate. We have from time to time experienced difficulty in hiring and retaining employees with appropriate qualifications.

Many of our competitors are larger and have more resources to attract qualified personnel. If we hire employees from competitors or other companies, their former employers may assert that these employees have breached their legal obligations, resulting in a diversion of our time and resources.

In addition, prospective and existing employees often consider the value of the equity awards they receive in connection with their employment. If the perceived value of our equity awards declines or experiences significant volatility, it may be more difficult for us to recruit and retain employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be adversely affected.

Our financial results may vary significantly from period to period due to the seasonality of our business and fluctuations in our operating costs.

Our operating results may vary significantly from period-to-period due to many factors, including seasonal factors that affect the demand for our EV battery systems, including the consumption habits of PRC consumers, and uncertainty of government subsidies.

Our limited operating history makes it difficult to judge the exact nature or extent of the seasonality of our business. In addition, unusually severe weather conditions in some markets may adversely impact demand for electrical vehicles and subsequently our EV battery systems. Our operating results could also suffer if we do not achieve revenue consistent with our expectations for this seasonal demand because many of our expenses are based on anticipated levels of annual revenue.

RISK FACTORS

We also expect our period-to-period operating results to vary based on our operating costs. We anticipate these costs will increase significantly as we design, develop and manufacture our EV battery systems, build and equip new manufacturing facilities to produce such products, increase our sales and marketing activities, and increase our general and administrative functions to support our operations.

As a result of these factors, we believe that period-to-period comparisons of our operating results do not indicate or predict our future performance.

The current tensions in international trade and rising political tensions may adversely impact our business, financial condition, and results of operations.

Some jurisdictions or organizations have through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions, export or import controls against certain countries or regions or against targeted industry sectors, groups of companies or persons, or organizations. Such sanctions law and regulations are likely subject to frequent changes, and their interpretation and enforcement involves substantial uncertainties, which may be heightened by national security concerns or driven by political or other factors that are beyond our control. Therefore, such restrictions, and similar or more expansive restrictions that may be imposed by sanctions authorities in the future, may adversely affect our ability to work with certain existing and future customers, suppliers and investors, which in turn could harm our business. Furthermore, our association with customers, suppliers or other relevant parties that are or become subject to such restrictions could subject us to actual or perceived reputational harm, which could materially and adversely affect our business relationships business, financial condition, results of operations or prospects.

There have been concerns over the relationship between China and India resulting from the geopolitical and trade tensions between the two countries, and it is unclear whether these uncertainties will be effectively contained or resolved and what effects they may have on the global political and economic conditions in the long term. Regional economic conditions are sensitive to global economic conditions as well as the expected or perceived overall economic growth rate. Any economic downturn or slowdown or negative business sentiment could have an indirect potential impact on our industry, and as a result, our business operations and financial performance may be adversely affected. The political tensions between India and China could result in an unfavorable regulatory environment aimed at limiting the import of goods from China to India and thereby promoting relevant domestic industries, for instance, battery cell industry, in India. In particular, the Indian government has implemented certain concrete measures in relation to subsidies, import policies and tariffs to protect and support domestic enterprises, which may enhance local market competitiveness and increase our cost of importing raw materials and expenditures for local operations. Geopolitical tensions may also disrupt supply chains, in particular in imposing import restrictions, which may lead to delayed delivery of critical raw materials. We may not be able to locate alternative sources of supply domestically or from other jurisdictions and at acceptable prices, which may further result in production delays, increased cost and expenditures and customer dissatisfaction if we are unable to fulfill orders in a timely manner or at all. Any such events may have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

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

We depend on the supply of energy to maintain our production processes. Our production volume and production costs are affected by price and supply of energy. The price of energy is subject to a number of factors which may be beyond our control, including inflation, supplier capacity constraints, general economic conditions, commodity price fluctuations, demand from other industries for energy, and local and national regulatory requirements. Furthermore, we cannot assure that unexpected and serious shortages of energy will not occur in the future or that we will be able to pass on any cost increases to our customers. Any possible changes in the power consumption policies, especially those leading to rising prices of energy could adversely affect our business, financial condition, results of operations and prospects. Significant fluctuations in such costs may have a material effect on our profitability if we are unable to adjust the price of our products accordingly and may also negatively affect our competitive advantage. If we are unable to pass increased costs onto our consumers, which will result in a decrease of our profit margins. Moreover, if the supply of energy is affected by natural disasters, adverse weather conditions, suppliers' equipment failures, disruptions in transport or other inclement factors, we may not be able to locate alternative sources of supply and at acceptable prices. Any such events may have a material adverse effect on our business, financial condition and results of operations.

We face risks of health epidemics, other natural disasters and terrorist attacks, which could severely disrupt our business operations.

Our business could be adversely affected if our employees are affected by health epidemics. In addition, our results of operations could be adversely affected to the extent that any health epidemic harms the economy in general. For instance, the outbreak of COVID-19 severely impacted the world. The imposition of any restrictive measures as a result of new variant cases may in turn have a material adverse effect on our results of operations.

Our operations are also vulnerable to natural disasters or other catastrophic events, such as wars, terrorist attacks, snowstorms, earthquakes, typhoons, fire, floods, power failures and shortages, food and water shortages, hardware failures, computer viruses, and similar events which may or may not be foreseeable or otherwise within our control. Serious natural disasters may cause economic disruption and the destruction of our assets and impact its business and operations. Acts of war or terrorism, riots, strikes or disturbances could cause casualties to our employees and disrupt our business network and operations.

Our operations and manufacturing process requires a stable supply of utilities, primarily electricity. Our entire manufacturing process may be interrupted or stopped if we encounter insufficient or suspension of utility supplies. Although our facilities are equipped with contingent back-up power generators, these generators can only supply part of our electricity needs. There is no assurance that we can always secure the level of utility supplies that we require in the future. Any interruption or instability in utility supplies may not only increase our costs of production, but may also prevent us from manufacturing and delivering our products to our customers as scheduled and may expose us to contractual liability and reputational damage.

RISK FACTORS

Any of these factors and other factors beyond our control could have an adverse effect on the business environment in which we operate, and especially in the areas where our operations are located, we might suffer losses as a result of business interruptions and our business, financial condition and results of operations might be materially and adversely affected.

Failure to maintain appropriate internal control and management structures could result in a material adverse effect on our business, prospects, financial condition and results of operations.

We are committed to implementing and improving appropriate structures for internal organization and information flow, an effective internal control environment as well as risk monitoring and management systems, and to hire and integrate qualified employees into our organization. We have implemented enhanced internal control measures which are designed to prevent recurrence of certain administrative oversights. While we believe our past administrative oversights did not and will not have material adverse impact on us, if we fail to develop appropriate structures as we continue to expand our business and operations, we may not be able to identify unfavorable business trends, administrative oversights or other risks that could materially and adversely affect our business, prospects, financial condition and results of operations.

We may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws, and non-compliance with such laws can subject us to administrative, civil, and criminal penalties, collateral consequences, remedial measures, and legal expenses, all of which could adversely affect our business, results of operations, financial condition, and reputation.

We may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations in various jurisdictions in which we conduct activities. We have adopted policies and procedures designed to ensure compliance by us and our directors, officers, employees, representatives, consultants, agents, and business partners with applicable anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations. However, our policies and procedures may not be sufficient, and our directors, officers, employees, representatives, consultants, agents, and business partners could engage in improper conduct for which we may be held responsible.

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

RISK FACTORS

We rely on information technology and any failure, inadequacy, interruption or security lapse of that technology, including any cybersecurity incidents, could harm our ability to operate our business effectively.

Experienced computer programmers and hackers may be able to penetrate our network and misappropriate or compromise our confidential information or that of third parties, create system disruptions or cause shutdowns. Computer programmers and hackers also may be able to develop and deploy viruses, worms and other malicious software programs that attack our products or otherwise exploit any security vulnerabilities of our products. While we employ a number of protective measures, including firewalls, network infrastructure vulnerability scanning, anti-virus and endpoint detection and response technologies, these measures may fail to prevent or detect attacks on our systems. We may experience future intrusions, which could adversely affect our business, operations, or products.

In addition, our hardware and software or third party components and software that we utilize in our operations may contain defects in design or manufacture, including "bugs" and other problems that could unexpectedly interfere with the operation or security of the products. The costs to us to eliminate or mitigate cyber or other security problems, bugs, viruses, worms, malicious software programs and security vulnerabilities could be significant and, if our efforts to address these problems are not successful, such problems could result in interruptions, delays, cessation of service and loss of existing or potential customers that may impede our sales, manufacturing, distribution or other critical functions.

Any claim that our products or systems are subject to a cybersecurity risk, whether valid or not, could damage our reputation and adversely impact our revenues and results of operations. We manage and store various proprietary information and sensitive or confidential data relating to our business as well as information from our suppliers and customers. Breaches of our or any of our third party suppliers' security measures or the accidental loss, inadvertent disclosure or unapproved dissemination of proprietary information or sensitive or confidential data about us or our customers or suppliers, including the potential loss or disclosure of such information or data as a result of fraud, trickery or other forms of deception, could expose us or our customers or suppliers to a risk of loss or misuse of this information, result in litigation and potential liability for us, damage our brand and reputation or otherwise harm our business.

To the extent we experience cyber-security incidents in the future, our relationships with our customers and suppliers may be materially impacted, our brand and reputation may be harmed and we could incur substantial costs in responding to and remediating the incidents and in resolving any investigations or disputes that may arise with respect to them, any of which would cause our business, operations, or products to be adversely affected. In addition, the cost and operational consequences of implementing and adding further data protection measures could be significant.

RISK FACTORS

Our limited operating history makes it difficult to evaluate our business and prospects.

Limited historical information is available regarding our company upon which you can evaluate our business and prospects. Although we have been in existence since 2009, much of our growth has occurred since 2015. Our success will depend on our ability to improve the competitiveness of our products and expand our manufacturing capacity significantly beyond its current level.

Our business model, technology and ability to achieve satisfactory manufacturing yields at higher volumes remain unproven. Accordingly, you should consider our business and prospects in light of the risks, expenses and challenges that we face as an early-stage company seeking to develop and manufacture new products in a rapidly growing market. If we do not manage these risks successfully, our business will suffer.

We have limited insurance coverage, which could expose us to significant costs and business disruption.

We have limited liability insurance coverage for our products and operations. A successful liability claim against us could materially and adversely affect our financial condition, results of operations and reputation. In addition, we do not have any business disruption insurance coverage. Any business disruption event could result in substantial cost to us and diversion of our resources.

Changes in the economic and political policies as well as the interpretation and enforcement of laws, rules and regulations may affect our business, financial condition, results of operations and prospects.

Due to our extensive operations in the PRC, our business, financial condition, results of operations and prospects are affected by the economic and political and legal developments in the PRC. The overall economic growth of PRC is influenced by the governmental regulations and policies in relation to resource allocation, monetary policies, regulations of financial services and institutions, preferential treatment to particular industries or companies and others. Any of the foregoing would affect our business, financial condition, results of operations and prospects. We shall comply with the applicable PRC laws, rules and regulations. The relevant PRC laws, rules and regulations in force at present may be amended in the future, and their interpretation and implementation shall be determined in accordance with relevant laws and regulations in force at the time. Any non-compliance with any existing or new laws and regulations could materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

RISK FACTORS

Regulations on currency conversion could affect our ability to utilize our capital effectively.

We shall comply with regulations on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If we are unable to obtain sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from or registration with SAFE or its local branch or its designated banks is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. This could also affect our subsidiaries' ability to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us.

Fluctuations in exchange rates could have material adverse effect on our financial condition and results of operations.

A majority of our revenue and expenditures are denominated in Renminbi and our revenue and local expenditures in India are denominated in India Rupee, while the [REDACTED] from the [REDACTED] and any dividends we pay on our Shares will be in Hong Kong dollars. The value of the Renminbi or India Rupee against the U.S. dollar, the Hong Kong dollar and other currencies fluctuates, and is subject to changes resulting from policies, domestic and international economic and political developments as well as supply and demand in the monetary market. We cannot assure you that Renminbi and/or India Rupee will not appreciate or depreciate significantly in value against Hong Kong dollars and U.S. dollars in the future. For instance, since July 2005, the PRC government has adopted a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and with reference to a basket of currencies. In April 2012, the PBOC enlarged the floating band for the trading price of the Renminbi against the U.S. dollar on the interbank spot exchange market to 1.0% around the central parity rate. In March 2014, the PBOC further enlarged the floating band for the trading price of the Renminbi against the U.S. dollar on the interbank spot exchange market to 2.0% around the central parity rate. In the event of significant change in the exchange rates of the Hong Kong dollar and the U.S. dollar against the Renminbi, our ability to pay dividends in foreign currencies may be materially and adversely affected.

RISK FACTORS

Fluctuations in the exchange rate of the Renminbi against the U.S. dollar and the Hong Kong dollar will affect the relative purchasing power in the Renminbi with the [REDACTED] from the [REDACTED]. Any significant appreciation or depreciation of Renminbi and/or India Rupee may materially and adversely affect our revenue, financial position and the value of, and any dividends payable on, our Shares. For further details of our foreign exchange risk, see Note 3.1(a)(i) of the Accountant’s Report set out in Appendix I to this document.

We have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

PRC regulation of direct investment and loans by offshore holding companies to PRC entities may delay or limit us from using the [REDACTED] of the [REDACTED] to make additional capital contributions or loans to our PRC subsidiaries.

As an offshore holding company of our PRC subsidiaries, we may make additional capital contributions or loans to our PRC subsidiaries. Any capital contribution or loans to our PRC subsidiaries are subject to PRC regulations and foreign exchange loan registrations. We may also provide loans to our domestic PRC entities under the Macro-prudential Management Mode. According to the Circular of the People’s Bank of China and the State Administration of Foreign Exchange on Adjusting the Macro-prudent Adjustment Parameter for Cross-Border Financing of Enterprises (《關於調整企業跨境融資宏觀審慎調節參數的通知》) issued on January 7, 2021, the macro-prudent adjustment parameter for enterprise cross-border financing is decreased from 1.25 to 1. According to the Circular of the People’s Bank of China and the State Administration of Foreign Exchange on Raising the Macro-prudential Adjustment Parameters for Cross-Border Financing (《關於上調跨境融資宏觀審慎調節參數的通知》) issued on July 20, 2023, the macro-prudent adjustment parameter for enterprise and financial institution cross-border financing has been revised from 1.25 to 1.5. Moreover, any medium or long-term loan to be provided by us to our PRC entities must also be registered with the NDRC and SAFE or its local branches. In addition, the information of our capital contributions to our PRC subsidiaries must be submitted to the competent administration for market regulation.

There is no assurance that we will be able to complete or obtain the necessary submissions, government registrations or approvals in a timely manner, or at all, with respect to making future loans or capital contributions to our PRC subsidiaries with the [REDACTED] from the [REDACTED]. If we fail to complete such submissions, registrations or obtain such approvals, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be materially and adversely affected, which may materially and adversely affect their ability to fund their working capital and expansion projects as well as meet their obligations and commitments.

RISK FACTORS

Under the EIT Law, we may face risks leading to unfavorable tax consequences, for instance, we may be classified as a “resident enterprise” or certain of our subsidiaries may not be classified as a “high and new-technology enterprise” of the PRC.

The EIT Law provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered PRC “tax resident enterprises” and will generally be subject to the uniform 25% EIT rate on their global income. Under the implementation rules to the EIT Law, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and other assets of an enterprise. If we are considered as a PRC tax resident enterprise for PRC tax purposes, we will be subject to a uniform 25% EIT rate as to our global income as well as tax reporting obligations. In addition, dividends payable by us to our investors that are non-resident enterprises and gain on the sale of our Shares may become subject to China withholding tax, if such dividends and gains are regarded by China tax authorities to be sourced from China.

In addition, pursuant to the EIT Law, a high and new-technology enterprise may enjoy a preferential enterprise income tax rate of 15%. Certain of our PRC subsidiaries received approvals by competent government authorities, and were recognized as high and new-technology enterprises which were entitled to a preferential tax rate of 15% and subject to review every three years.

Despite being eligible for preferential tax rate as high and new-technology enterprises during the Track Record Period, there is no assurance that we would successfully reapplied for the certificates of high and new-technology enterprises so as to enjoy the preferential tax rate every three years, in which case our relevant subsidiaries will be subject to the normal enterprise income tax rate of 25%. The effective tax rate will therefore significantly increase and may materially and adversely affect our profitability, which may have a material adverse effect on our business, results of operations and financial condition. Also, there can be no assurance that the EIT Law, its application or its interpretation will not change, in which case our effective income tax rate may increase significantly.

Any failure by the Shareholders or beneficial owners of our Shares to comply with PRC foreign exchange or other regulations relating to offshore investment activities could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws.

SAFE has promulgated several regulations requiring PRC residents and entities to register with relevant PRC government authorities before engaging in direct or indirect offshore investment activities, including Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by domestic Residents in China via Special-Purpose Companies (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “SAFE Circular 37”) issued and effective on July 4, 2014. SAFE Circular 37 requires PRC residents and entities to register with local branches of the

RISK FACTORS

SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a "special purpose vehicle." SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. Moreover, failure to comply with the various SAFE registration requirements described above may result in liabilities for the PRC residents and entities under the Administrative Regulations of the PRC on Foreign Exchange (《中華人民共和國外匯管理條例》), including (1) the relevant foreign exchange administrative authority shall order the organization or individual concerned to remit the foreign exchange funds involved back to China within a specified period of time and impose a fine of up to 30% of the foreign exchange amount for which foreign exchange controls have been evaded, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive, and (2) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive. We may not be aware of the identities of all our individual Shareholders who are PRC residents. We do not have control over our individual Shareholders and there can be no assurance that our individual Shareholders who are PRC citizens have completed their registration under the SAFE Circular 37. We may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC nationals, and may not always be able to compel our beneficiaries to comply with the requirements of SAFE Circular 37 or other related regulations. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals will at all times comply with, or in the future make or obtain applicable registrations or approvals with the SAFE, the NDRC and the MOFCOM or their local branches which are required by the SAFE Circular 37 or other related regulations, including applicable NDRC and MOFCOM regulations.

Certain PRC regulations establish more complex procedures for acquisitions conducted by foreign investors that could make it more difficult for us to grow through acquisitions.

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-Owned Assets Supervision and Administration Commission, or the SASAC, the State Administration of Taxation, the State Administration for Industry and Commerce, or the SAIC, the CSRC, and the SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, which came into effect on September 8, 2006 and were amended on June 22, 2009. The M&A Rules include, among other things, provisions that purport to require that an offshore special purpose vehicle formed for the purpose of an overseas [REDACTED] of securities in a PRC company obtain the approval of the CSRC prior to the [REDACTED] and [REDACTED] of such special purpose vehicle's securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website procedures regarding its approval of [REDACTED] by special purpose vehicles. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles.

RISK FACTORS

The M&A Rules established additional procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, or that the approval from the MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the new regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

We face uncertainties with respect to indirect transfer of equity interests in our PRC resident subsidiaries by our Shareholders or our non-PRC holding companies.

In February 2015, the State Taxation Administration of China issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (the “**Circular 7**”), which provides comprehensive guidelines relating to, and also heightened China tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (the “**PRC Taxable Assets**”).

Circular 7 specifies that PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose. Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in China under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of China involving China Taxable Assets, or whether PRC tax authorities will reclassify such transaction by applying Circular 7. Therefore, PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of China involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

RISK FACTORS

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions against us or our Directors and officers.

A material portion of our assets and the assets of our Directors are located in mainland China. It may not be possible for investors to effect service of process upon us or those persons inside mainland China. Mainland China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, mainland China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases under Consensual Jurisdiction of the Mainland and of the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**Arrangement**”) pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case under a written jurisdiction agreement may apply for recognition and enforcement of the judgment in mainland China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case under a written jurisdiction agreement may apply for recognition and enforcement of the judgment in Hong Kong. A written jurisdiction agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction over the dispute. On January 18, 2019, the Supreme People’s Court and the government of the Hong Kong Special Administrative Region 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互相認可和執行民商事案件判決的安排》) (the “**New Arrangement**”) which seeks to establish a mechanism with further clarification on and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong Special Administrative Region and Mainland China. The New Arrangement discontinued the requirements for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement came into effect on January 29, 2024 and superseded the Arrangement. After the New Arrangement became effective, a judgment rendered by a Hong Kong court can generally be recognized and enforced in the PRC even if the parties in the dispute do not enter into a choice of court agreement in writing. However, we cannot guarantee that all judgments made by Hong Kong courts will be recognized and enforced in the PRC, as whether a specific judgment will be recognized and enforced is still subject to a case-by-case examination by the relevant court in accordance with the New Arrangement.

We are subject to environmental and safety laws and regulations where we operate.

Our business is subject to laws and regulations relating to environmental and safety matters. Under these laws and regulations, we are required to protect the environment, maintain safe production conditions and to protect the occupational health of our employees. While we have conducted periodic inspections of our operating facilities and carry out equipment maintenance on a regular basis to ensure that our operations are in compliance with applicable laws and regulations, we cannot assure you that we will not experience any material accidents or work injuries in the course of our manufacturing process in the future. In addition, our

RISK FACTORS

manufacturing process produces pollutants such as wastewater, noise, smoke and dust. The discharge of pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. We cannot assure you that all situations that will give rise to material environmental liabilities will be discovered or any environmental laws adopted in the future will not materially increase our operating costs and other expenses. Environmental laws are continuing to advance with increasing requirements for companies to comply. Any increase in production costs resulting from the implementation of additional environmental protection measures or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial condition or results of operations.

We face risks associated with our operations outside of China, and if we are not able to manage these risks, our ability to manage and grow our business abroad will be limited.

We operate in markets outside of China, including India and the United States. Our revenue generated from sales in India accounted for 2.2%, 1.6%, 26.0% and 41.8% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively. Our revenue generated from sales in the United States accounted for 0.5%, 0.7%, 2.0% and 2.1% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively. We intend to continue exploring business opportunities in select markets outside of China. Sales to foreign countries and territories expose us to various risks, including:

- political risks, including risks of loss due to civil unrest, acts of terrorism, acts of war, regional and global political or military tensions, and strained or altered foreign relations with China or other relevant countries;
- economic, financial and market instability and credit risks, including, for example, those relating to the potential deterioration of credit markets and other economic conditions in our overseas markets and other countries;
- changes in foreign government regulations or policies, including local protectionism policies;
- dependence on foreign governments or entities controlled by foreign governments for electricity, water, transportation and other utility or infrastructure needs;
- unfamiliarity with local operating and market conditions;
- non-compliance with local rules and regulations as a result of, among others, a lack of understanding of local taxation, customs and other laws, regulations, standards and requirements;
- risks and uncertainty associated with using foreign agents or distributors in connection with our overseas operations and sales;

RISK FACTORS

- preferential treatment or corrupt business practice;
- foreign currency controls and fluctuations;
- tax increases or adverse tax policies;
- trade barriers, such as tariffs or embargoes;
- sanctions imposed by certain countries, such as the United States, the European Union, the United Kingdom and the United Nations against transactions with or within countries in which we conduct business, which may limit our ability to operate in such countries or obtain funding for certain overseas projects;
- discrimination against ethnic Chinese or protectionism against PRC companies;
- competition from other international and local companies;
- adverse labor conditions or employee strikes;
- stringent environmental protection laws;
- potential disputes with foreign partners, customers, subcontractors, suppliers or local residents or communities;
- expropriation and nationalization of our assets in foreign countries; and
- lack of a well-developed or independent legal system in overseas countries in which we have operations, which may create difficulties in the enforcement of contractual rights.

If any of the risks described above materialize, or if we are unable to manage these risks effectively, our ability to manage or grow our international business would be undermined, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

We face risks associated with the sales of our products and our operations in India.

A number of products and services developed by PRC companies and operated in India have been banned by the Indian government or boycotted by Indian consumers. In particular, the Indian government has launched the Faster Adoption and Manufacturing of Hybrid and Electric Vehicles in India Scheme (the “**FAME scheme**”), which subsidizes EV manufacturers that can demonstrate that certain percentage of the sourcing and manufacturing of their vehicles took place within India. The FAME scheme may negatively impact the demand or pricing of our products to EV manufacturers in the Indian market. Although we have a manufacturing facility in India and intend to expand our manufacturing capabilities in India, we cannot guarantee that we will be able to meet the thresholds without a negative impact on our operating costs and profitability.

RISK FACTORS

We are unable to predict how international relations between China and India will develop, and what policies or measures the Indian government will take towards products and services provided by and business operations of PRC companies in India. The adoption and implementation of our risk management and internal control measures may not be adequate or effective to protect us against various risks associated with the sales of our products in India or our operations in India due to various reasons, such as unfamiliarity with local operating and marketing conditions, regulatory changes and taxation requirements. Failure to address any potential risks and internal control deficiencies could adversely affect our business. Furthermore, there can be no assurance that we will not be targeted or affected by regulatory changes in the future, and our business operations and operating results in India will not be materially and adversely impacted by such actions.

We face risks associated with the sales of our products and our operations in the United States.

We have been adversely affected by any reduction in the levels of trade, investments, technological exchanges and other economic activities between China and the United States. Any of these could have a material adverse effect on global economic conditions and the stability of global financial markets. The measures taken by the U.S. and PRC governments, including the imposition of import tariffs, may have the effect of restricting our ability to transact or otherwise do business with entities within or outside of China and may cause customers to prefer onshore suppliers or products with local components. For example, the U.S. Inflation Reduction Act (the “IRA”), passed into law by the U.S. President Biden on August 16, 2022, sets aside US\$369 billion for climate and clean energy projects and policies. One of the key provisions is a tax credit of up to US\$7,500 for consumers in the United States purchasing EVs. However, in order to stimulate domestic production of not only EVs but also their batteries, the IRA requires EV manufacturers to provide verifiable evidence that large percentages of material sourcing and manufacturing take place within the United States or in a partner country with a free trade agreement. EV manufacturers must prove that battery components have not been “extracted, processed or recycled by a foreign entity of concern.” As such, to the extent an EV manufacturer is selling the EVs with our EV battery systems in the United States, the buyers will not be able to enjoy the tax credit. Without the tax credit, the demand and pricing of these EVs may be negatively affected, which in turn may have a negative impact on the pricing of our products to these EV manufacturers. In May 2024, the United States government announced a series of increases in tariffs targeting products imported from China, among which the tariff on lithium-ion batteries may increase from 7.5% to 25%. As of the Latest Practicable Date, it was still unclear when and how the relevant increases in U.S. tariffs will be executed and applied to our products. However, once such measures become effective or the United States government further passes other measures with respect to tariffs that are unfavorable to us, it may lower U.S. customers’ willingness to purchase Chinese products, and we cannot assure you that we will still be able to remain within a reasonable competitive margin of our competitors’ pricing. If we are unable to compete effectively, our business, financial condition and results of operations in the U.S. could be materially adversely affected.

RISK FACTORS

Furthermore, the U.S. policies and measures directed at China and PRC companies could also discourage U.S. persons and organizations to work for, provide services to or cooperate with PRC companies, which could hinder our ability to hire or retain qualified personnel and find suitable partners for our business. If we were unable to conduct our business as it is currently conducted as a result of such regulatory changes, our business, results of operations and financial condition may be materially and adversely affected.

RISKS RELATED TO [REDACTED]

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

Prior to the [REDACTED] of the Shares on the Stock Exchange, there has been no [REDACTED] for the Shares. The [REDACTED] for the Shares will be the result of negotiations between the Company and the [REDACTED] (on behalf of the [REDACTED]), and may differ from the [REDACTED] for the Shares after [REDACTED]. The Company has applied to the Stock Exchange for the [REDACTED] of, and permission to [REDACTED], the Shares. However, there is no assurance that the [REDACTED] of the Shares on the Stock Exchange will result in the development of an active and liquid [REDACTED] for the Shares.

The [REDACTED], [REDACTED] and [REDACTED] volume of the Shares may be volatile. There can be no assurance as to the ability of the holders to sell their Shares or the price at which those Shares can be sold. As a result, shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares under the [REDACTED]. Factors that may affect the volume and price at which the Shares will be traded include, among other things, variations in our turnover, earnings, cash flows and costs, announcements of new investments, litigation involving us, concerns regarding the quality and/or safety of our products, and changes in laws and regulations in China.

Furthermore, shares of other companies [REDACTED] on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past due to reasons not relating to themselves, and the Shares may also be subject to changes in price not directly related to our performance.

Substantial future sales or the expectation of substantial sales of our Shares in the [REDACTED] could cause the price of our Shares to decline.

Sales of substantial amounts of Shares in the [REDACTED] or issuance of Shares by our Company, or the perception that such sales or issuances may occur, could adversely affect the [REDACTED] of our Shares. Future sales, or anticipated sales, of substantial amounts of our Shares, 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. We cannot predict the effect, if any, that any future sales of Shares or the issuance of Shares by our Company may have on the [REDACTED] of the Shares.

RISK FACTORS

We cannot guarantee you when, if and in what form dividends will be paid in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends will be formulated by our Board of Directors at their discretion and will be subject to our shareholders’ approval. The actual amount of any dividends to be declared or distributed will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits, our Articles of Association, any applicable laws and regulations, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any other factors determined by our Board of Directors from time to time to be relevant. As a result, we cannot guarantee you when, if and in what form dividends will be paid in the future. See the section headed “Financial Information — Dividend” for more details.

There may be dilution because of issuance of new Shares or equity securities.

In spite of our current cash and cash equivalents and the [REDACTED] from the [REDACTED], we may require additional funds due to changes in business conditions or other future developments relating to, *inter alia*, our existing operations or any future expansions. The amount and timing of such additional financing needs will vary depending on the timing investments in and/or acquisitions of new businesses from third parties, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to our shareholders. If additional funds are raised by way of issuance of new Shares or equity linked securities other than on a pro rata basis to existing shareholders, the percentage of ownership of our existing shareholders in our Company, the earnings per Share and the net asset value per Share may be reduced.

Shareholders and investors may face difficulties in protecting their interests because our Company is incorporated under the laws of the Cayman Islands which may be different from the laws of Hong Kong or other jurisdictions.

Our Company is incorporated in the Cayman Islands and our Company’s affairs are governed by the Memorandum of Association, the Articles of Association, the Companies Act and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands law on protection of minorities is set forth in the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law — 6 Protection of Minorities” in Appendix III to this document.

RISK FACTORS

Certain statistics contained in this document are derived from a third-party report and publicly available official sources.

This document, particularly the section headed “Industry Overview,” contains information and statistics relating to our industry. Such information and statistics have been derived from various official government and other publications and from a third-party report commissioned by us. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information and statistics from official government sources have not been independently verified by us, the Joint Sponsors and [REDACTED] and [REDACTED], any of the [REDACTED], any of our or their respective directors, officers, representatives or advisors or any other person involved in the [REDACTED] and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

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

This document contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “may,” “ought to,” “should” or “will” or similar terms. Those statements include, among other things, the discussion of our Company’s growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the H Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our Company’s control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by our Company that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. For further details, see the section headed “Forward-Looking Statements.”

RISK FACTORS

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

There had been, prior to the publication of this document, and there may be, subsequent to the date of this document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED], which contained or may contain among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this document. Accordingly, [REDACTED] are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, a new applicant must have a sufficient management presence in Hong Kong and, under normal circumstances, at least two of the new applicant's executive directors must be ordinarily resident in Hong Kong.

The headquarter of our Group and all of our business operations are based, managed and conducted outside of Hong Kong. At present, all of our executive Directors are not ordinarily resident in Hong Kong. Our Company considers that it would be practically difficult and not commercially feasible for our Company to appoint more Hong Kong residents as our executive Directors or to relocate any of our existing Directors to Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules. Our Company does not, and does not contemplate in the foreseeable future that it will, have any management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by implementing the following measures:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain Dr. Zhou, our executive Director and Mr. Ieng Kit Leung (梁英杰), the company secretary of our Company, as the two authorized representatives of our Company, to act as the principal channel of communication with the Stock Exchange. Each of them has confirmed that he will be available to meet the Stock Exchange in Hong Kong within a reasonable time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and e-mail (as the case may be). Each of them will be authorized to communicate on behalf of our Company with the Stock Exchange;
- (b) both authorized representatives will be provided with means to contact all Directors promptly at all times as and when the Stock Exchange wishes to contact the members of our Board for any matters. To enhance communication between the Stock Exchange, the authorized representatives and our Directors, our Company has implemented a policy whereby (i) each Director will have to provide his/her office phone number, mobile phone number, facsimile number and email address (as the case may be) to the authorized representatives; in the event that a Director expects to travel and be out of office, he/she will have to provide the phone number of the place of his/her accommodation or other means of communication to the authorized representatives; and (ii) each Director will provide his/her mobile phone number, office phone number, facsimile number and email address (as the case may be) to the Stock Exchange;

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

- (c) each Director who is not ordinarily resident in Hong Kong has confirmed that he/she possesses or can apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period of time when required;
- (d) pursuant to Rule 3A.19 of the Listing Rules, our Company has appointed Anglo Chinese Corporate Finance, Limited as our compliance advisor (the “**Compliance Advisor**”) which will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after [REDACTED] and, where the authorized representatives of our Company are unavailable, act as our Company’s additional channel of communication with the Stock Exchange in addition to the authorized representatives of our Company, for a term commencing from the [REDACTED] until the date on which our Company publishes its annual report in respect of its first full financial year pursuant to Rule 13.46 of the Listing Rules (the “**Engagement Period**”);
- (e) during the Engagement Period, in the case of resignation by, or termination of, the Compliance Advisor, our Company undertakes to appoint a replacement compliance advisor within three months from the effective date of such resignation or termination (as the case may be) pursuant to Rule 3A.27 of the Listing Rules;
- (f) our Company will inform the Stock Exchange promptly in the event of any change of the authorized representatives or the Compliance Advisor in accordance with the Listing Rules;
- (g) in addition to the Compliance Advisor’s role and responsibilities after the [REDACTED] to provide advice to our Company on the continuing requirements under the Listing Rules and applicable laws and regulations, our Company will also appoint other professional advisors (including legal advisors in Hong Kong) after the [REDACTED] to assist our Company in addressing any enquiries which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange;
- (h) if the circumstances require, meetings of the Board could be arranged and held in such manner as permitted under our Articles at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner; and
- (i) meetings between the Stock Exchange and our Directors could be arranged through the authorized representatives or the Compliance Advisor, or directly with our Directors within a reasonable time frame.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

**WAIVER AND EXEMPTION IN RELATION TO THE PRE-[REDACTED] SHARE
INCENTIVE SCHEME**

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

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

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

As of the Latest Practicable Date, (i) options (as defined in the section headed “Statutory and General Information — D. Share Incentive Schemes — 1. Pre-[REDACTED] Share Incentive Scheme” in Appendix IV to this document) granted by our Company under the Pre-[REDACTED] Share Incentive Scheme to 168 grantees to subscribe for 5,077,321 Shares or [REDACTED] Shares (as adjusted pursuant to the Capitalization Issue) (the “**Adjusted Shares**”) were outstanding, representing approximately [REDACTED] of our Company’s issued share capital immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised) for which the grantees include three Directors (with respect to 2,218,257 underlying Shares or [REDACTED] underlying Adjusted Shares), three senior management members (with respect to 571,800 underlying Shares or [REDACTED] underlying Adjusted Shares), six consultants (with respect to 177,300 underlying Shares or [REDACTED] underlying Adjusted Shares), two grantees who have been granted options to subscribe 100,000 Shares or more or [REDACTED] Adjusted Shares or more (with respect to 399,400 underlying Shares or [REDACTED] underlying Adjusted Shares) and 154 other grantees (the “**Other Grantees**”) (with respect to an aggregate of 1,710,564 underlying Shares

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

or [REDACTED] underlying Adjusted Shares) (ii) restricted share units granted by our Company under the Pre-[REDACTED] share Incentive Scheme to one grantee (our Director) to subscribe for 423,206 Shares or [REDACTED] Adjusted Shares were outstanding, representing approximately [REDACTED] of our Company's issued share capital immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised). No Awards (as defined in the section headed "Statutory and General Information – D. Share Incentive Schemes – 1. Pre-[REDACTED] Share Incentive Scheme" in Appendix IV to this document) were granted to other connected persons of the Company.

The principal terms of the Pre-[REDACTED] Share Incentive Scheme is set out in the section headed "Statutory and General Information — D. Share Incentive Schemes — 1. Pre-[REDACTED] Share Incentive Scheme" in Appendix IV to this document.

We have applied to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix D1A to the Listing Rules; and (ii) the SFC for a certificate of exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the disclosure of certain details relating to the Awards and certain grantees in this document on the ground that the waiver and the exemption will not prejudice the interest of the [REDACTED] and strict compliance with the above requirements would be unduly burdensome to our Company for the following reasons:

- (a) our Directors consider that it would be unduly burdensome to disclose in this document full details of all the Awards granted by us to each of the grantees, which would significantly increase the cost and time required for information compilation and [REDACTED] preparation for strict compliance with such disclosure requirements;
- (b) material information on the Awards has been disclosed in this document to provide [REDACTED] with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the Awards in making their investment decision, and such information includes:
 - (i) a summary of the latest terms of the Pre-[REDACTED] Share Incentive Scheme;
 - (ii) the aggregate number of Shares subject to the Share Options and the percentage of our Shares of which such number represents;
 - (iii) the dilutive effect and the impact on earnings per Share upon full exercise of the Awards immediately following completion of the [REDACTED] (assuming the [REDACTED] is not exercised);

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

- (iv) full details of the Awards granted to each of our Directors, members of the senior management, consultants and other grantees who have been granted options to subscribe 100,000 Shares or more or [REDACTED] Adjusted Shares or more are disclosed in this document, and such details include all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix D1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule; and
- (v) with respect to the Awards granted by our Company under the Pre-[REDACTED] Share Incentive Scheme to grantees, other than those referred to in sub-paragraph (iv) above, the following details are disclosed in this document, including the aggregate number of such grantees and the number of Shares subject to the Awards, the consideration paid for the grant of the Awards and the exercise period and the exercise price for the Awards.

Our Directors consider that the above disclosure is consistent with the conditions ordinarily expected by the Stock Exchange in similar circumstances as set out in the guidance in chapter 3.6 of the Guide for New Listing Applicants issued by the Stock Exchange.

- (c) the 154 other grantees have been granted Awards under the Pre-[REDACTED] Share Incentive Scheme to acquire an aggregate of 1,710,564 Shares or [REDACTED] Adjusted Shares, which is not material in the circumstances of our Company, and the exercise in full of such Awards will not cause any material adverse change in the financial position of our Company;
- (d) our Directors consider that non-compliance with the above disclosure requirements would not prevent our Company from providing potential investors with sufficient information for an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Group; and
- (e) a full list of all the grantees containing all details as required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix D1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule will be made available for inspection in accordance with the section headed "Documents Delivered to the Registrar of Companies and Available on Display — Documents Available on Display" in Appendix V to this document.

The Stock Exchange [has granted] us a waiver from strict compliance with the relevant requirements under the Listing Rules subject to the conditions that disclosure in respect of the information referred to in paragraphs (b) and (e) above has been made in this document.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

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

- (a) full details of the Awards granted to each of our Directors, members of the senior management and consultants and other grantees who have been granted Awards to subscribe 100,000 Shares or more or [REDACTED] Adjusted Shares or more be disclosed in this document, and such details include all the particulars required under paragraph 10 of Part I of the Third Schedule;
- (b) with respect to the Awards granted by our Company under the Pre-[REDACTED] Share Incentive Scheme to the Other Grantees, the following details, including (i) the aggregate number of such grantees and the number of Shares subject to the Awards; (ii) the consideration paid for the grant of the Awards; and (iii) the exercise period and the exercise price for the Awards be disclosed in this document;
- (c) a full list of all the grantees (including the persons referred to in sub-paragraph (a) above) who have been granted Awards to acquire Shares under the Pre-[REDACTED] Share Incentive Scheme, containing all the details as required under paragraph 10 of Part I of the Third Schedule, be made available for inspection in accordance with the section headed “Documents Delivered to the Registrar of Companies and Available on Display — Documents Available on Display” in Appendix V to this document; and
- (d) this document will be issued on or before October 25, 2024.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions that will constitute continuing connected transactions of our Company under the Listing Rules upon [REDACTED]. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Master Supply Agreement. For further details in this respect, see the section headed “Connected Transactions.”

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Residential Address	Nationality
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Executive Directors

Dr. Peng Zhou (周鵬)	8620 Terrace Drive El Cerrito, CA 94530 U.S.	Chinese
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Mr. Yang Wang (王揚)	3307 Country Air Lane Apartment 202 Las Vegas, NV 89117 U.S.	U.S.
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Non-executive Directors

Ms. Tina Lin-chi Ju (汝林琪)	Apartment 1B, Tower II Tregunter 14 Tregunter Path Central Hong Kong	Chinese
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Prof. Dr. Peter Jochem Heizmann	Gluckstr. 13 D85049 Ingolstadt Germany	German
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Mr. Alfred Tsai Chu (朱家駿)	2170 Sunset Valley St. Henderson NV 89052 U.S.	U.S.
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*Independent non-executive
Directors*

Dr. Chengwei Xiao (肖成偉)	Junxi Huating Hexi District, Tianjin PRC	Chinese
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Ms. Rui Shirley Xue (薛睿)	Flat B, 7/F, Block T3 The Harbourside 1 Austin Road West Tsim Sha Tsui, Kowloon Hong Kong	Chinese
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Mr. Yang Dong (董揚)	Room 2202, Tower 1 Mantingfang Garden, Qingyun Lane Haidian District, Beijing PRC	Chinese
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Further information about our Directors and other senior management members is set forth in the section headed “Directors and Senior Management” of this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

**HSBC Corporate Finance (Hong Kong)
Limited**

1 Queen's Road Central
Hong Kong

**China International Capital Corporation
Hong Kong Securities Limited**

29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Legal Advisors to our Company

As to Hong Kong law:

Morrison & Foerster

33/F, Edinburgh Tower

The Landmark

15 Queen’s Road Central

Hong Kong

As to PRC law:

Merits & Tree Law Offices

5th Floor, Raffles City

Beijing Office Tower

No. 1 Dongzhimen South Street Dongcheng

District

Beijing 100007

PRC

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

As to Cayman Islands law:

Maples and Calder (Hong Kong) LLP
26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

As to California laws:

Locke Lord LLP
20th Floor
Brookfield Place
200 Vesey Street
New York
U.S.

As to India law:

Obhan & Associates
N-94, Second Floor
Panchshila Park
New Delhi 110017
India

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

As to Hong Kong law:

Norton Rose Fulbright Hong Kong
38/F Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law:

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

As to India law:

Dentons Link Legal
1102, 11th Floor
Tower 1, One International Center
Senapati Bapat Marg
Prabhadevi (West), Mumbai-400013

Reporting Accountant and Auditor

PricewaterhouseCoopers

*Certified Public Accountants and Registered
Public Interest Entity Auditor*
22/F, Prince's Building
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Industry Consultant

Frost & Sullivan Limited
3006, Two Exchange Square
8 Connaught Place
Central
Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office	PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Head Office and Principal Places of Business in China	No. 119 Jinxiu Street Hefei Economic and Technology Development District Hefei Anhui Province 203601 PRC
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Company's Website	http://www.octillion.cn <i>(information on this website does not form part of this document)</i>
Company Secretary	Mr. Ieng Kit Leung (梁英杰) <i>(Member of the Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants)</i> No. 119 Jinxiu Street Hefei Economic and Technology Development District Hefei Anhui Province 203601 PRC
Audit Committee	Ms. Rui Shirley Xue (薛睿) (<i>Chairlady</i>) Dr. Chengwei Xiao (肖成偉) Mr. Alfred Tsai Chu (朱家駿)
Remuneration Committee	Mr. Yang Dong (董揚) (<i>Chairman</i>) Dr. Chengwei Xiao (肖成偉) Prof. Dr. Peter Jochem Heizmann
Nomination Committee	Dr. Peng Zhou (周鵬) (<i>Chairman</i>) Dr. Chengwei Xiao (肖成偉) Mr. Yang Dong (董揚)

CORPORATE INFORMATION

Authorized Representatives

Dr. Peng Zhou (周鹏)
No. 119 Jinxiu Street
Hefei Economic and Technology
Development District
Hefei
Anhui Province
203601
PRC

Mr. Ieng Kit Leung (梁英杰)
No. 119 Jinxiu Street
Hefei Economic and Technology
Development District
Hefei
Anhui Province
203601
PRC

Compliance Advisor

Anglo Chinese Corporate Finance, Limited
40/F Two Exchange Square
8 Connaught Place
Central, Hong Kong

[REDACTED]

Principal Banks

**China CITIC Bank Hefei Ma'anshan
Road Branch**
Southeast corner of the intersection of
Ma'anshan Road and Wangjiang Road
Hefei
Anhui Province
PRC

**China Merchants Bank Co., Ltd.
Hefei Branch**
Block A, AHCOF Dongyi Financial Plaza
No. 169 Funan Road
Hefei
Anhui Province
PRC

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various government publications and other publications, and from the F&S Report prepared by Frost & Sullivan commissioned by us. The information derived from official government sources has not been independently verified by us, the Joint Sponsors and [REDACTED] and [REDACTED], any of the [REDACTED], any of our and their respective directors, officers, representatives, employees or advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

SOURCES OF INFORMATION

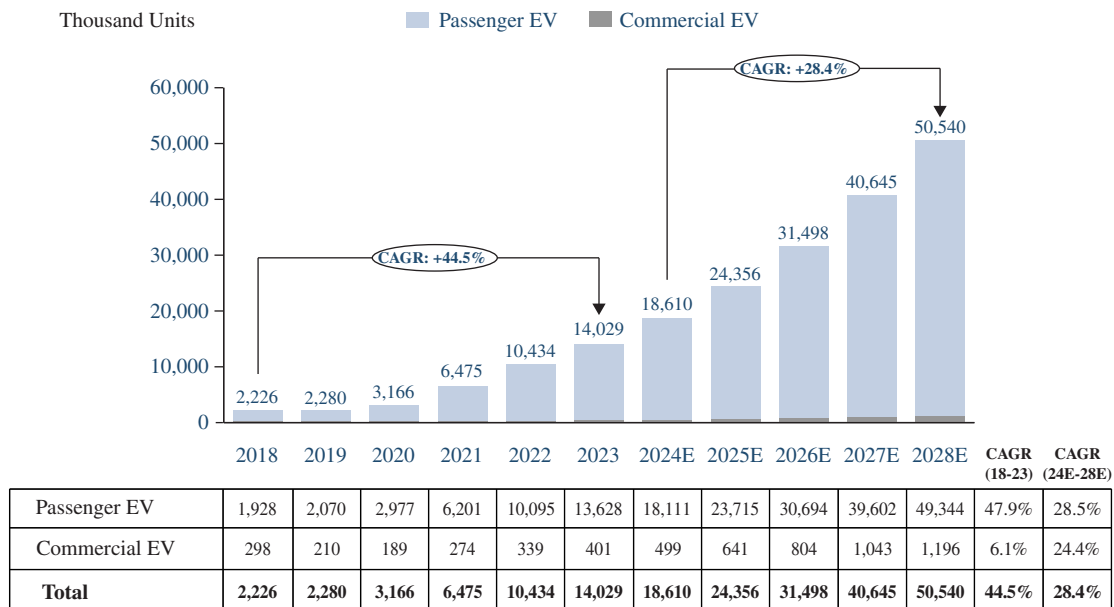
We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis and prepare a report on the Electric Vehicle (EV) market and EV battery system market in China, India and Globally for the use in this Document, which was commissioned by us for a fee of USD176,600. In compiling and preparing the F&S Report, Frost & Sullivan adopted the following assumptions: (i) the social, economic and political conditions in China, India and Globally currently discussed will remain stable during the forecast period, (ii) government policies on EV and EV battery markets in China, India and Globally will remain consistent during the forecast period, (iii) China’s, India’s and Global EV and EV battery markets will be driven by the factors which are stated in the report in the forecast period. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the F&S Report. Our Directors confirm that after taking reasonable care, there is no material adverse change in the overall market information since the date of the F&S Report and up to the date of this document that would materially qualify, contradict or have an impact on such information.

EV MARKET

Overview of Global EV Market

EVs are propelled by electric motors instead of ICE and can be categorized into passenger EVs and commercial EVs.

Sales Volume of EVs by Vehicle Type, Global, 2018-2028E



Source: EU Statistics Bureau, Statistics Bureau of other major countries, Frost & Sullivan

Global EV sales volume has increased from 2,226 thousand units in 2018 to 14,029 thousand units in 2023, representing a CAGR of 44.5%. The sales volume is expected to increase to 50,540 thousand units by 2028, representing a 28.4% CAGR from 18,610 thousand units in 2024. The sales volume of global passenger EVs reached 13,628 thousand units in 2023, while the sales volume of commercial EVs reached 401 thousand units. Sales volume of

INDUSTRY OVERVIEW

global passenger EVs is expected to grow at a CAGR of 28.5% from 2024 to 2028, reaching 49,344 thousand units by 2028, while sales volume of commercial EVs is expected to grow at a CAGR of 24.4% over the same period, reaching 1,196 thousand units by 2028.

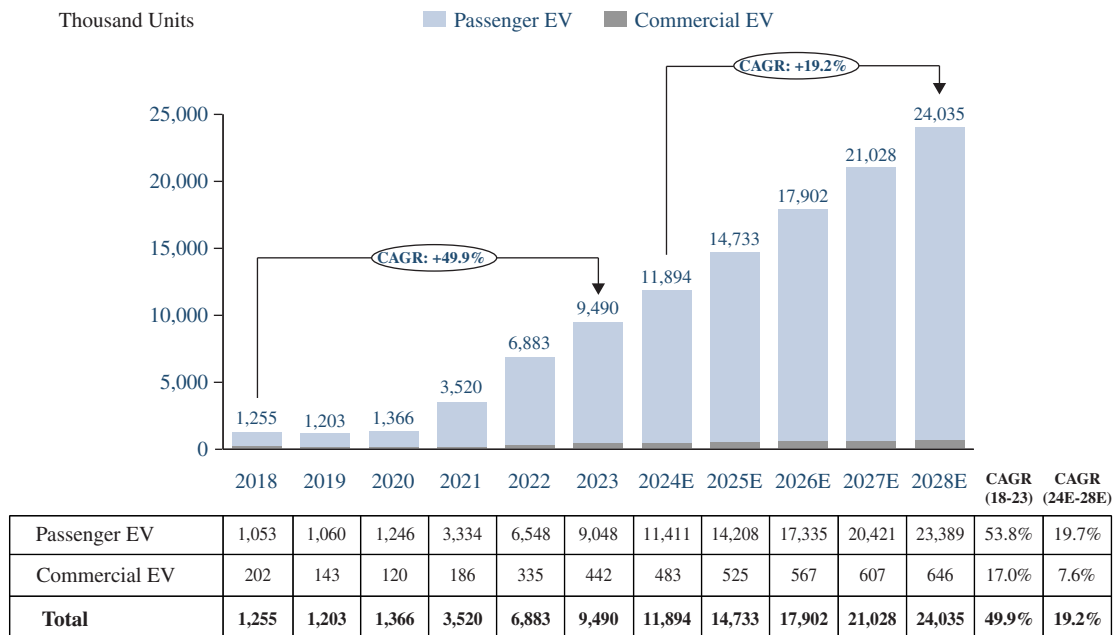
Overview of China’s EV Market

The EV market in China experienced rapid growth in recent years with an increasing number of EV original equipment manufacturers (OEMs) and EV models entering the market. The EV penetration rate in China, calculated as EV sales volume as a percentage of total automobile sales volume, increased from 4.5% in 2018 to 31.5% in 2023, and is expected to further increase to 71.7% by 2028.

In recent years, China’s EV market has become more mature, transitioning from being policy-driven to market demand-driven. First, consumers have become relatively well educated regarding the benefits of driving EVs compared with ICE and user habits have been formed by consumers. Second, improved driving experience such as longer driving range, more extensive charging facility networks, and more intelligent cockpit system result into higher willingness to drive EVs among consumers. Third, price advantage still exists even with decreasing government subsidies for EV compared with ICE. In addition, regions such as Beijing, Shandong, and Guangdong have introduced consumer vouchers or initiated purchase subsidies for EVs, contributing to the continuous growth of market demand. Therefore, the impact of decreasing government subsidies on the growth of China’s EV market has been relatively limited.

- **Passenger EVs.** Passenger EV sales volume in China reached 9,048 thousand units in 2023, accounting for 95.3% of China’s total EV sales, and is expected to grow at a CAGR of 19.7% from 2024 to 2028, reaching 23,389 thousand units by 2028. Despite an expected decrease in subsidies for passenger EVs in the forecast period, market demand for passenger EVs is expected to maintain rapid growth, resulting in an accelerated EV penetration.
- **Commercial EVs.** Commercial EV sales volume in China reached 442 thousand units in 2023, accounting for 4.7% of total EV sales in China, and is expected to grow at a CAGR of 7.6% from 2024 to 2028, reaching 646 thousand units by 2028. In comparison to passenger EVs, higher battery performance requirements such as higher energy density and stricter safety control have led to relatively slower penetration rate increases for commercial EVs. Market demand for commercial EVs in the forecast period is mainly driven by electric urban logistics vehicles and electric buses, which are primarily used for short-distance transportation and are more energy cost efficient than ICE vehicles.

Sales Volume of EVs by Vehicle Type, China, 2018-2028E



Source: China Association of Automobile Manufacturers, Frost & Sullivan

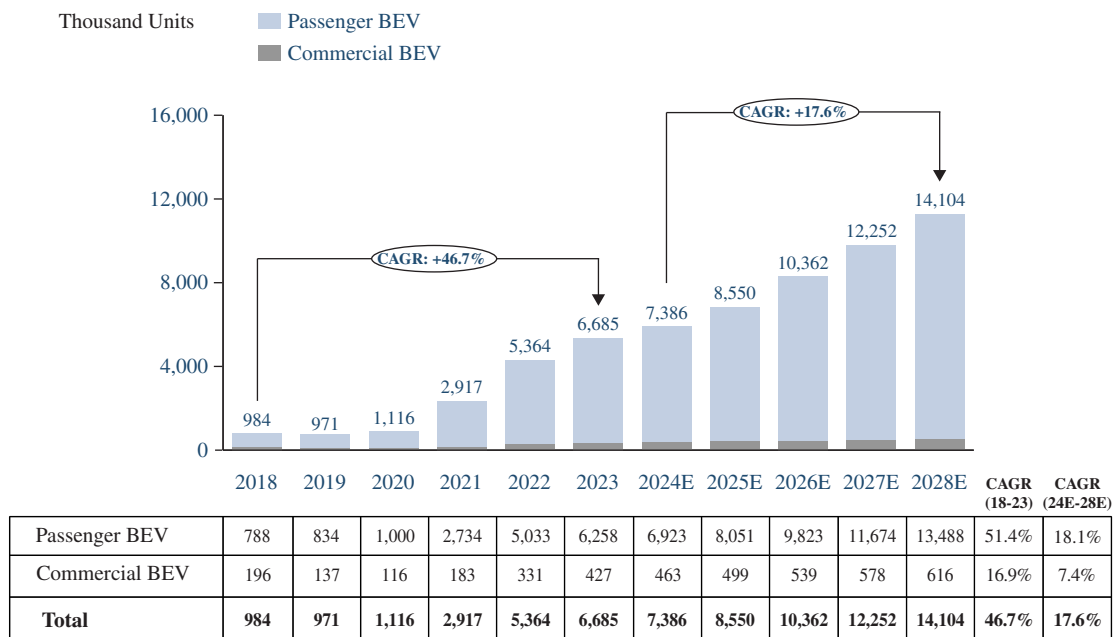
INDUSTRY OVERVIEW

The market share of Chinese PV brands based on unit sales has increased from 42.1% in 2018 to 56.0% in 2023, which indicates an increasing popularity trend of domestic PV brands in China. Compared to foreign PV brands, domestic PV brands have the following advantages:

- (i) **Flexibility:** Chinese PV brands are typically more agile and flexible than traditional foreign PV brands, allowing them to quickly respond to changing market conditions and customer demands.
- (ii) **Familiarity with local market:** Chinese PV brands can have a better understanding of the local market, consumer preferences, and cultural norms, which allows them to design and market their products more effectively.
- (iii) **Access to local suppliers:** Chinese PV brands have easier access to local suppliers, which can help them reduce costs and improve supply chain efficiency.
- (iv) **Government support:** The Chinese government has been actively promoting the development and adoption of EVs with various incentives such as subsidies, tax breaks, and favorable regulations. Chinese PV brands are better positioned to take advantage of these benefits as they are more familiar with the local policies and regulations.

BEVs account for a significant share of China’s EV market. Sales volume of passenger BEVs reached 6,258 thousand units in 2023, accounting for 93.6% of China’s total BEV sales, while commercial BEVs reached 427 thousand units, accounting for 6.4%. The penetration rate of BEVs is expected to decline from 2023 to 2024 mainly considering the growth of sales volume of PHEVs. Sales volume of passenger BEVs is expected to grow at a CAGR of 18.1% from 2024 to 2028 reaching 13,488 thousand units by 2028, while commercial BEVs are expected to grow at a 7.4% CAGR over the same period reaching 616 thousand units by 2028.

Sales Volume of BEVs by Vehicle Type, China, 2018-2028E



Source: China Association of Automobile Manufacturers, Frost & Sullivan

Classification of China’s Passenger BEV Market by Size and Price Class

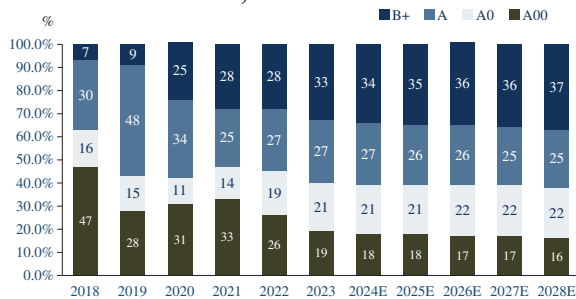
PVs are categorized into A00, A0, A and B+ sizes according to the wheel base length and size of the vehicles with A00 being the smallest. The traditional PV market is dominated by A and B+ level vehicles while the BEV market has a higher proportion of smaller vehicles. A00 vehicles play a significant role in the BEV market and account for approximately 19% of total passenger BEV sales volume in China in 2023. The A00 segment share peaked 2018, accounting for approximately 47% of the total passenger BEV sales volume, mainly as a result of the launch of more models compared with other sizes and high popularity of specific models. Driven by an increasing number of models available in the market, the sales volume of A and B+ sized BEVs experienced a steep increase in 2018 and 2019, which led to a reduction in

INDUSTRY OVERVIEW

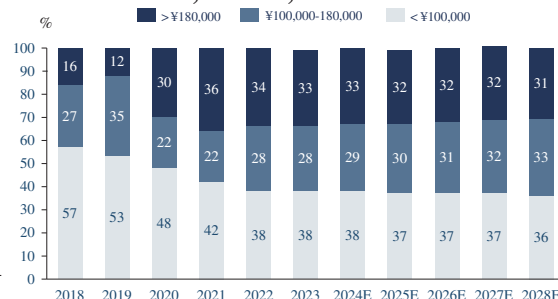
market share of A00 BEVs. In 2020, the boom of popular models such as Wuling Hongguang’s Mini EV led to a recovery of the A00 segment launch in China, small-sized accounting for approximately 31% of total passenger BEV unit sales in that year. Going forward, given a high BEV penetration rate has been established in the A00 segment, the market volume percentage is likely to stabilize. The sales volume of A00 BEVs has increased from 371 thousand units in 2018 to 1,161 thousand units in 2023, representing a CAGR of 25.6%. In the forecast period, the sales volume of A00 BEVs is expected to grow at a CAGR of 15.2%, reaching 2,209 thousand units by 2028. As consumer preferences evolve, there will be a shift towards exploring new market segments, providing new opportunities for growth.

Driven by an increase in economic performance and resulting consumer spending, the market share of passenger BEVs with a sales price below RMB100,000 saw a significant decrease in the historical period. However, given the substantial population base in China and the large potential in lower-tier cities, passenger BEVs with a sales price below RMB100,000 are expected to remain the largest price class throughout the forecast period.

Sales Volume of Passenger BEV by Size, China, 2018-2028E



Sales Volume of Passenger BEV by Price Class, China, 2018-2028E



Source: China Association of Automobile Manufacturers, Frost & Sullivan

Drivers of China’s EV Market

Dual credit scheme, tax exemption policy and emission standard upgrade

In order to reduce the average fuel consumption of passenger vehicles and encourage the development of the passenger EV market in China, The Measures for Dual Credit Scheme for Corporate Average Fuel Consumption and New Energy Vehicle Credits for Passenger Vehicles (Dual Credit Scheme) was released by multiple ministries on September 27, 2017 and was revised on June 22, 2020. It requires all automotive OEMs to achieve positive Corporate Average Fuel Consumption (“CAFC”) credits and fulfill NEV credit targets related to annual vehicle sales volume and pre-setting credit ratio. In order to fulfill the credit requirements, automotive OEMs were encouraged to develop and promote entry-level passenger EVs due to relatively shorter R&D cycles and lower costs. In addition, the revised credit calculation method has extended the indicator of electricity consumption target value, which can increase the credit results and therefore encourage the development of premium passenger EVs which are required to be equipped with necessary accessories for better performance and customer experience.

According to the Announcement on Extending Policies for the Exemption of Vehicle Purchase Tax on New Energy Automobiles jointly promulgated by the MIIT, the SAT, and the MOF on September 18, 2022, new energy vehicles purchased between January 1 and December 31, 2023, are exempt from vehicle purchase tax. Additionally, vehicles listed in the catalog of Models of New Energy Vehicles Exempted from Vehicle Purchase Tax before December 31, 2022, continue to enjoy the tax exemption. On June 19, 2023, the MIIT, SAT, and MOF promulgated the Announcement on the Continuation and Optimization of Vehicle Purchase Tax Relief Policies for New Energy Vehicles, specifying that new energy vehicles purchased between January 1, 2024, and December 31, 2025, are exempt from vehicle purchase tax, with a tax exemption limit of up to 30,000 RMB per new energy passenger vehicle. Furthermore, new energy vehicles purchased between January 1, 2026, and December 31, 2027, will have their vehicle purchase tax halved, with a reduction limit of up to 15,000 RMB per new energy passenger vehicle.

On December 23, 2016, the Ministry of Ecology and Environment and the State Administration for Market Regulation published the Limits and Measurement Methods for Emissions from Light-duty Vehicles, which announced new emissions limits. Compared to the previous emissions limits, the existing parameters have to be reduced by 33% to 50%, while two new parameters required to be measured. Given limited time for research and development

INDUSTRY OVERVIEW

as well as difficulties to fulfill the requirements, vehicle manufacturers are more willing to invest in the emerging EV market to establish competitive advantages, which can further drive the development of EVs in China.

Carbon neutrality

In 2020, China announced its goal to reach carbon neutrality by 2060. Multiple policies and regulations have since been released to encourage the automotive industry to focus on EVs, such as Notice on Enhancement of the Work on Climate Change and Environment Protection and 14th Five-Year Plan – The Notice on Saving Power and Resources of Public Institutions. An increasing number of automotive OEMs have announced plans on new EV developments and introduced new technologies to reduce fuel consumption and increase large-scale usage of new energy, which will facilitate the supply side growth of the EV market. Additionally, consumers are also becoming more environmentally conscious and are increasingly favoring EVs over ICE vehicles.

Cost parity of EVs

Potential cost benefits of EVs are attractive to consumers and the pursuit of cost parity in the industry is expected to continue driving growth in China's EV market over the forecast period. In particular, advances in technology keep reducing the costs of major components such as cells and therefore gradually reduce the acquisition cost gap between EV and ICE vehicles. In addition, energy consumption costs of EVs are significantly lower than ICE vehicles given the cost advantage of electricity over fossil fuels. Inspection and maintenance costs of BEVs are also generally lower than ICE vehicles due to the absence of a gasoline propulsion system. Lastly, by purchasing EVs, consumers can avoid the high cost of ICE vehicle plates in cities such as Shanghai and Shenzhen in China according to regulations in these cities.

Potential Challenges of China's EV Market

Fluctuations in battery raw material prices

Manufacturing of battery cells relies on key raw materials such as lithium, cobalt and nickel. Temporary disruptions in the global raw material supply chain have resulted in price surges of key battery raw materials such as lithium carbonate and anode materials from the second half of 2020 to 2022. Fluctuations in battery raw material prices may remain a potential challenge for the EV market in China.

Shortage of automotive-grade chips

Compared to traditional ICE vehicles, electric vehicles are typically equipped with more automotive-grade chips including battery pack chips as they have more electric components and complex electric control systems. Starting from 2020, the shortage of chips has gradually affected the vehicle manufacturing industry in China. Despite the Dual Credit Scheme incentivizing manufacturers to dedicate more resources to EV production, the shortage of automotive-grade chips still led to an output reduction by affecting the production of EV related systems such as BMS which are essential to the production of battery packs. The shortage of automotive-grade chips may continue to pose a challenge for the EV market in China.

EV BATTERY SYSTEMS MARKET

Introduction to EV Battery Systems

EV battery system refers to a rechargeable electricity storage system used in EVs to provide driving energy. As one of the most critical and indispensable parts of the EV, the EV battery is the power source of the entire vehicle and directly affects the EV's performance including driving range, safety, service life, charging time and adaptability to temperature, etc.

The battery systems value chain generally consists of several major processes including mining of raw materials, production of battery components, cells, battery systems and the installation in EVs. The retired battery can further be re-utilized for other applications such as energy storage or ultimately be recycled.

An EV battery system comprises battery cells arranged into battery modules with a BMS and battery modules, thermal management systems, electrical components and other supporting components. Battery cells, as the core part of the EV battery system, are composed of a cathode and an anode, electrolyte, separator and other parts. Based on the cathode materials, batteries can be classified as lithium iron phosphate (LFP), ternary, with its cathode comprising NCM or NCA, and other lithium-ion batteries including lithium cobalt oxide (LCO) and lithium-ion manganese oxide (LMO). NCM, NCA and LFP batteries currently dominate the EV battery systems market due to their superior characteristics. Generally, NCM and NCA batteries have relatively higher energy density, higher charging efficiency and better low-temperature adaptivity while LFP batteries have better safety performance and lower material cost. Based on the battery form, EV batteries can also be classified as cylindrical, prismatic and pouch.

INDUSTRY OVERVIEW

BMS is another essential part of the battery system. It plays a crucial role in ensuring safety, protection, monitoring, management and expanding life span of cells. Compared with battery cell suppliers, battery system suppliers are facing relatively low risk of substitution since (i) manufacturing of a high performing battery systems requires close collaboration for a long time between battery system suppliers and automotive OEMs and customized solutions from battery system suppliers, which results in a low probability of changing suppliers; and (ii) the successful integration of BMS and battery cells is critical for energy density and reliability of battery systems with technical know-how taking time to accumulate, so automotive OEMs tend to prefer battery system suppliers with an established track record and a long-standing cooperation.

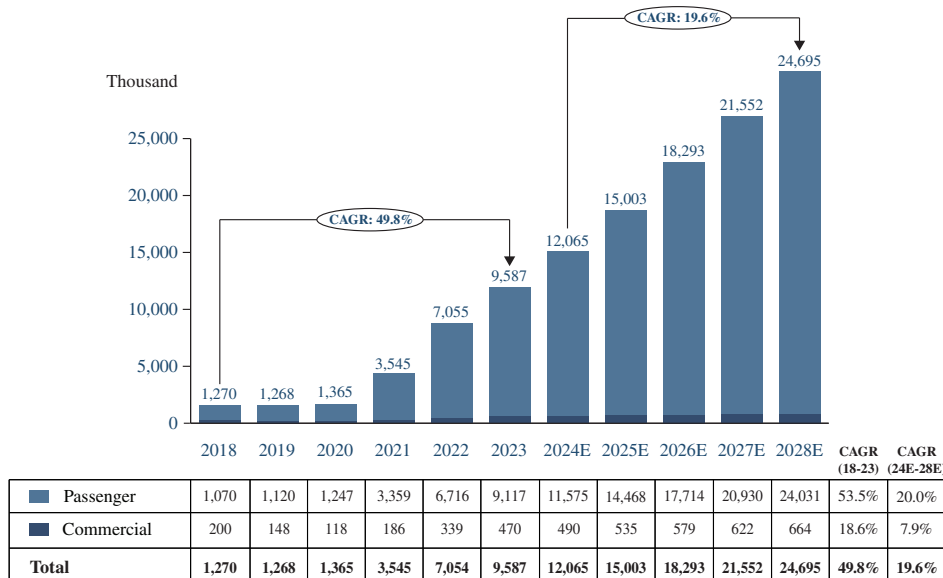
EV Battery Systems Industry Pain Points and Solutions

- Safety Pain Points.** Lithium-ion batteries tend to heat up faster than other battery chemistries and have been suspected of causing safety incidents in EVs. As a result, there have been growing safety concerns around lithium-ion batteries in different applications. Such safety concerns could lead to consumers losing confidence in EVs and may prevent them from changing from ICE vehicles to EVs, which would result in lower demand for EV battery systems accordingly. The Group addressed this issue with the development of its bipolar encapsulated structure, or BEST technology.
- Cost Pain Points.** The EV battery systems market is closely affected by the price of upstream raw materials. The balance between supply and demand is important to all players in the supply chain. With battery cells contributing to a significant portion of the cost of a battery system, overall cost reduction in other components of a battery system has been a key industry R&D focus. In particular, the Group developed its proprietary multifunctional unitized structure, or MUST technology, which eliminates the number of modules and reduces components and connections within an EV battery system through aggregating discrete structural, thermal and electrical parts into unitized multifunctional large format parts and achieved a significant cost reduction of 30% in terms of material cost and 50% in terms of number of parts and components.

Overview of China’s EV Battery Systems Market

China’s battery systems market is at a stage of rapid development driven by the strong demand from the EV market. The installed units of EV battery systems increased from 1,270 thousand in 2018 to 9,587 thousand in 2023, implying a CAGR of 49.8%. In the forecast period, the market is estimated to grow from 12,065 thousand units in 2024 to 24,695 thousand units in 2028, implying a CAGR of 19.6%. The installed volume of EV battery systems increased significantly from 57 GWh in 2018 to 387 GWh in 2023 representing a CAGR of 46.7%. It is estimated to increase further from 543 GWh in 2024 to 2,111 GWh in 2028 representing a CAGR of 40.4%. The following chart shows the historical and forecasted number of installed units and volume for the EV battery systems market in China from 2018 to 2028:

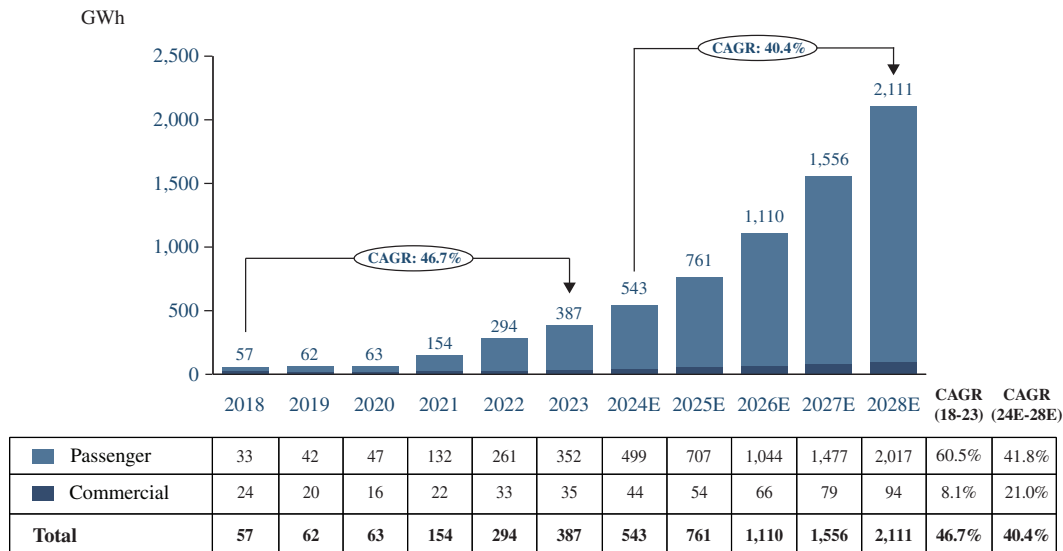
Installed Units of EV Battery Systems, China, 2018-2028E



Source: Frost & Sullivan

INDUSTRY OVERVIEW

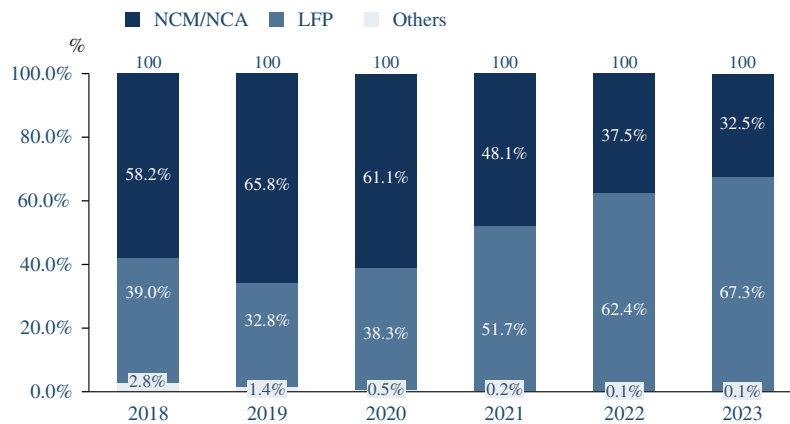
Installed Volume of EV Battery Systems, China, 2018-2028E



Source: Frost & Sullivan

The major EV battery chemistries in China include LFP, NCM and NCA. From 2018 to 2020, NCM and NCA batteries have experienced higher market share due to their higher energy density. From 2021, driven by a price surge in raw materials, LFP batteries have been widely applied and obtained more market share due to their cost advantage and better safety characteristics.

Breakdown of EV Battery Systems Installed Volume by Chemistry, China, 2018-2023



Source: Frost & Sullivan

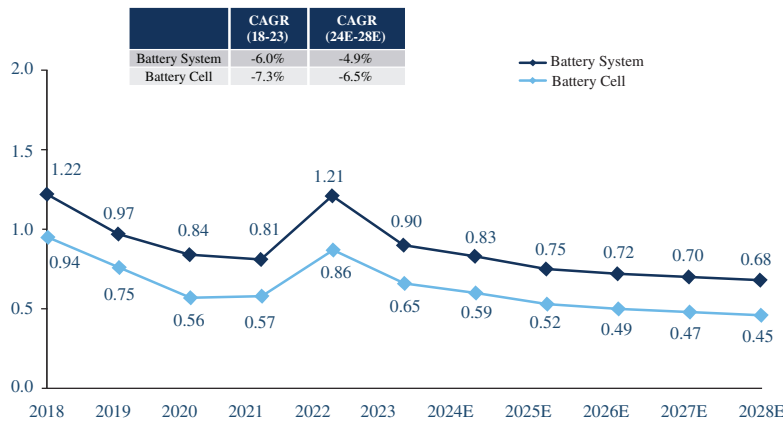
Cost Analysis of China’s EV Battery Market

Driven by the development of the EV market and the technological advancement of battery systems, there is a trend for battery cells to become commoditized due to overlapping technology roadmap, raw material and equipment supply base.

The robust downstream demand led to an increase in raw material prices in 2021 and 2022, which in turn led to an increase in battery cell prices. In the forecast period, with the maturity of related technologies and the wide application of lithium-ion batteries, particularly for EVs, raw material prices are expected to gradually decrease which will in turn lead to a price decline for battery cells and systems.

INDUSTRY OVERVIEW

Average Price Analysis of Electric Vehicle Lithium-ion Batteries, China, 2018-2028E



Source: Frost & Sullivan

The volatility in battery cell cost will further influence the cost and price of EV battery systems and EVs. With increasing raw material cost, particularly if longer-term, EV battery system providers tend to pass down their cost to EV OEMs to limit their losses. As EV OEMs find it difficult increase their prices to customers, battery cell cost pressures are usually passed on to EV OEMs.

Drivers and Future Trends for China’s EV Battery Systems Market

- **Increasing penetration of BEV.** Compared to ICE vehicles and other types of EVs, BEVs are most effective in reducing CO₂ emissions during use in light of carbon neutrality policies. In addition, with the driving range of BEVs continuously growing, and charging infrastructure expanding, consumer concerns for limited driving range of BEVs are expected to be eased gradually. Therefore, it is expected that BEV penetration in total automobiles will experience fast growth in the forecast period.
- **Deeper cooperation between value chain players.** The importance of EV battery systems, which are the core components of an EV, is becoming increasingly prominent as EVs are widely accepted by consumers. The integration of the industry’s value chain across battery cell suppliers, EV battery system suppliers and automotive OEMs will help optimize the supply chain’s efficiency, reduce vehicle production cost, and increase automotive OEMs’ robustness towards raw material price fluctuations, etc. Within the process of further integrating the supply chain and driving cooperation, EV battery system suppliers will leverage their crucial role as midstream players in the value chain, providing advanced technologies and value-added services for battery cell suppliers and automotive OEMs.
- **Broader commercial applications.** In addition to the significant surge in demand for EVs, as the requirements for power grids in terms of transmission and distribution capacity increase, energy storage systems become indispensable. The increasing demand for EV battery charging also exceeds grid capacity, making energy storage systems an inevitable source of energy. As a result, EV battery systems are expected to continue to be widely used in other commercial applications.
- **Rapid growth of markets outside of China.** From 2018 to 2022, China’s export of EVs has increased from around 150 thousand to around 700 thousand units per year. In the forecast period, increased exports of EVs and battery systems are expected as global demand increases. Considering the high manufacturing cost in the U.S., China could use their cost advantage to export EV battery systems. Moreover, affected by environmental issues such as air pollution, the Indian government has gradually introduced relevant regulations and is reducing the usage of conventional fuel vehicles, which provides an opportunity for China to export EVs and EV battery systems. In addition, driven by a number of policies announced and substantial support from governments, the EV market in Europe is developing rapidly, which also contributes to an increased demand for EV battery systems.
- **Diversified business model including to customer (2C) and battery services.** Currently, battery system manufacturers mainly supply to EV OEMs. To diversify business risk and create growth opportunities, EV battery companies can also explore new business models such as direct selling to end customers or providing additional battery systems services such as battery renting, battery maintenance, battery recovery, etc.

INDUSTRY OVERVIEW

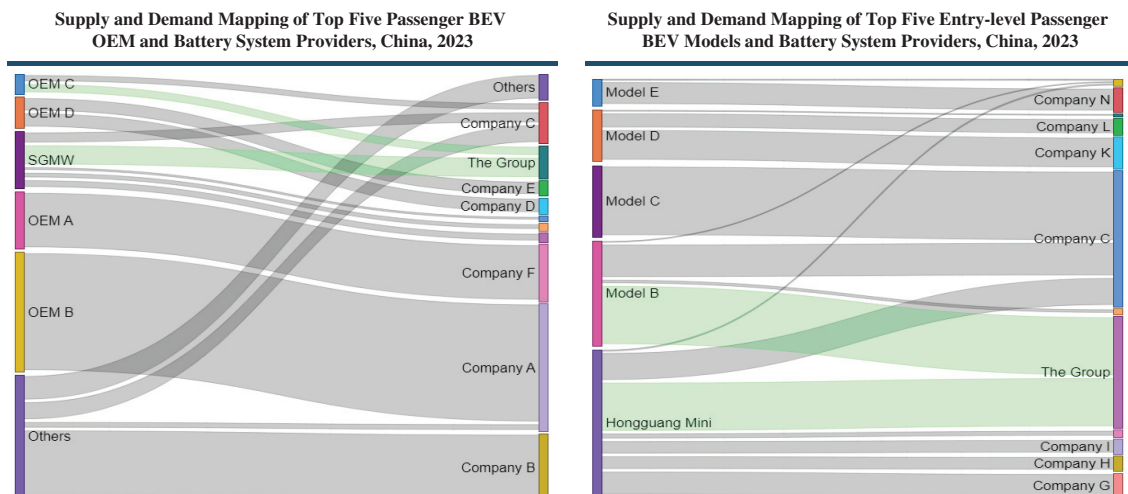
Entry Barriers for China’s EV Battery Systems Market

- Sticky upstream and downstream relationships.** Most EV battery system solutions are non-standardized so battery cell manufacturers, battery systems providers and automotive OEMs need to work closely and cooperate to fulfill customization requirements. The automotive industry has entered into a relatively mature development stage, with some large groups forming oligopolies in the market. Cross-industry expansion is difficult as potential entrants must possess in-depth understanding of the industry and substantial industry value chain resources. For example, the Group have established and solidified close relationships with battery cell manufacturers and downstream automotive OEMs, a competitive position which would be difficult to obtain for new entrants.
- High technology requirements.** EV battery systems comprise a complex set of components with high requirements in terms of manufacturing process, cost management and quality control. In addition, the continuous introduction of new EVs in the market and the growing trend of customization will continue to challenge the technological capabilities of EV battery system suppliers. It is critical for industry players to possess core technologies and react promptly to technological trends and changes in the market. Given the high technological barriers, it would be difficult for new potential entrants to replicate these capabilities.
- High capital requirements.** The EV battery system market requires substantial capital investment in equipment, production processes and R&D. In addition, long project cycles increase the pressure on capital. Without sufficient funds and continued financial support, new entrants will find it difficult to compete with established market players.
- Talent retention.** The continuous advancement of battery management system technology requires EV battery system suppliers to retain talents with good understanding and strong capabilities in R&D, design, and manufacturing. Therefore, new entrants may face a high human capital barrier. With management stability and well-established training programs, industry players can mitigate the risk of talent migration, and it would be challenging for new entrants to attract talents in the short-term.

Competitive Landscape of China’s EV Battery Systems Market

Mapping of passenger BEV OEMs and EV battery system providers

The competitive landscape of China’s lithium-ion battery industry is highly concentrated, with Chinese battery manufacturers capturing the majority of the market share. Company A, Company B and Company C are the leading players in China’s lithium-ion battery industry. EV battery system providers and EV OEMs are actively cooperating to establish strategic partnerships. By strengthening cooperation, EV OEMs will not only reduce the EV battery procurement cost but more importantly will be able to optimize their battery supply system, and further enhance their competitiveness in the EV market.



Source: Frost & Sullivan

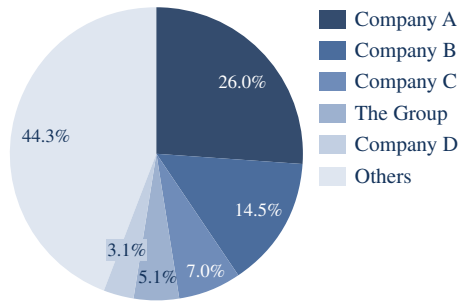
INDUSTRY OVERVIEW

Competitive analysis

China’s total market size in terms of shipment units of passenger BEV battery system providers in 2023 was 6,306.3 thousand units, and the top five players accounted for 55.7% of the market size. In terms of passenger BEV battery system shipment by unit, the Group ranked as the fourth largest player in the market with 324.3 thousand units shipped and 5.1% share of the market.

Ranking and Market Share of Passenger BEV Battery System Providers* (by shipment units), China, 2023

Total = 6,306.3 Thousand Units



Rank	Company Name	Shipment (Thousand units)	Market Share
1	Company A	1,638.7	26.0%
2	Company B	915.6	14.5%
3	Company C	442.2	7.0%
4	The Group	324.3	5.1%
5	Company D	194.3	3.1%
	Others	2,791.2	44.3%
	Total	6,306.3	100.0%

* The passenger BEV battery system providers refer to companies that supply passenger BEV battery systems to third-party customers/automotive OEMs in the market, and exclude companies that only supply battery systems for internal use.

Company A is headquartered in Shenzhen, Guangdong Province, China and was established in 2019. The company has independent R&D, design and production capabilities in the battery field, with products covering consumer 3C batteries, power batteries and energy storage batteries. The company is not publicly listed.

Company B is headquartered in Ningde, Fujian Province, China and was established in 1999. The company is the world’s leading lithium-ion battery R&D and manufacturing company. The company focuses on the research and development, production and sales of new energy vehicle power battery systems and energy storage systems. The company is listed on A share stock market.

Company C is headquartered in Hefei, Anhui Province, China and was established in 2006. The company is an enterprise engaged in the independent research and development, production and sales of lithium-ion batteries for new energy vehicles. Its products are widely used in new energy vehicles such commercial vehicles, passenger vehicles, logistics vehicles and hybrid vehicles. The company is listed on the A shares stock market.

Company D is headquartered in Huizhou, Guangdong Province, China and was established in 2001. The company focuses on the R&D, manufacturing and innovation of lithium batteries. The company has owned core business in lithium-ion batteries, cylindrical cells, power batteries and energy storage batteries. The company is listed on A share stock market.

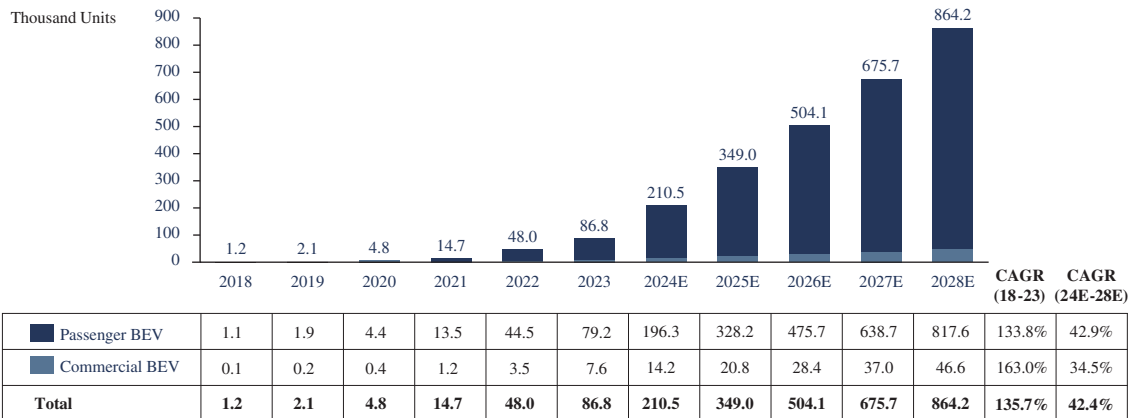
Source: Frost & Sullivan

EV AND EV BATTERY SYSTEMS MARKETS OF INDIA AND THE UNITED STATES Overview of India’s EV and EV Battery Systems Markets

The sales volume of BEVs in India increased from 1.2 thousand units in 2018 to 86.8 thousand units in 2023 at a CAGR of 135.7%. In 2023, BEV penetration rate in India was 2.3%, which is well below the global BEV penetration rate. In the forecast period, driven by supportive government policies, increased public acceptance of BEVs, and improved infrastructure, the sales volume of BEVs in India is expected to increase from 210.5 thousand units in 2024 to 864.2 thousand units in 2028, representing a CAGR of 42.4%.

INDUSTRY OVERVIEW

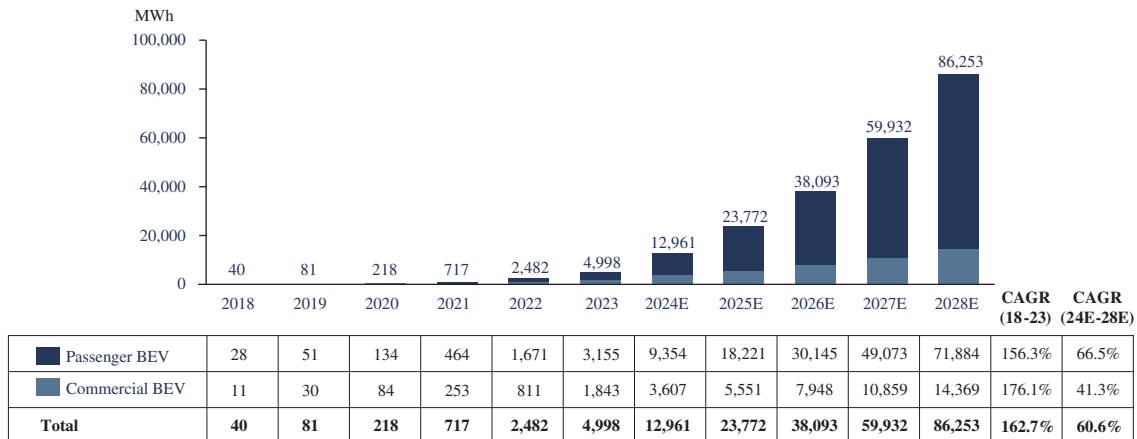
Sales Volume of BEVs, India, 2018-2028E



Source: Government authorities of India, Frost & Sullivan

The installed volume of BEV battery systems in India has increased from 40 MWh in 2018 to 4,998 MWh in 2023, representing a CAGR of 162.7%. As of 2023, the installed volume of BEV battery systems in India was lower compared to that of many other countries. In the forecast period, due to the increase in both BEV sales volume and battery capacity, the installed volume of BEV battery systems in India is expected to further increase from 12,961 MWh in 2024 to 86,253 MWh in 2028, representing a CAGR of 60.6%.

Installed Volume of BEV Battery Systems, India, 2018-2028E



Source: Government authorities of India, Frost & Sullivan

Drivers and Future Trends for India’s EV Battery Systems Market

- Government Incentive Policies.** The Indian government has been promoting EVs through policies such as FAME and FAME II which was launched in 2019 and extended to 2024. In 2021, the Ministry of Heavy Industry revised the FAME II scheme, increasing the subsidy per electric two-wheeler and the discount for electric two-wheeler manufacturers from 20% to a maximum of 40%. In 2023, India was considering a five-year-long tax reduction on EV imports to attract foreign EV companies to sell in India and manufacture vehicles locally in the future.
- Fast Growing Demand from Large Population.** India has the largest population in the world which provides significant potential for the automotive industry. In 2023, India was the third largest passenger vehicle market in the world with a total sales volume of over 4.0 million units. Currently, the sales volume of EVs in India is relatively small but has increased rapidly in recent years since an increasing number of consumers can afford an EV and it is expected that increased demand from its growing population will significantly boost the development of the EV market in India during the forecast period.

INDUSTRY OVERVIEW

- **Manufacturers Announce Sales Targets.** In line with the fast growth of EV sales in India, a number of OEMs have increased investment in EV manufacturing in India. Tata, as India's first EV OEM, sold nearly 60 thousand EVs in 2023, accounting for 73% of the market share of the Indian EV market. In terms of foreign brands, several Chinese automakers are also planning on expanding into India's EV market and have set out their market share expectations.
- **Increasingly Diversified EV Products.** The EV market in India is under-developed due to the high tariffs on imported EVs and relatively weak domestic industrial manufacturing capability. In 2023, EV sales volumes in India achieved over 100% growth, with popular EV models including Nexon, Tigore, MG's ZS electric vehicle and Hyundai's Kona. OEMs including Kia, BYD, Audi, BMW and Mercedes have been expanding into the Indian market and launching their EV models, which will further enhance diversity in the market during the forecast period.
- **Increasing Localization Rate.** Currently, local manufacturers generally have limited capabilities in production of EVs and related components such as battery cells and packs, and mainly rely on imported components. In September 2021, the Indian government announced an open Production Linked Incentive Scheme for the automotive industry to establish a comprehensive supply chain in India. In addition, the government recently introduced an online system to track the domestic value addition of EV companies to avoid them importing entire components from abroad. These actions are expected to accelerate India's journey toward localization of the EV supply chain.
- **Improved EV Infrastructure.** The EV battery charging infrastructure in India is still at an early development stage, which has become one of the main constraints for the development of the local EV market. The Indian government has identified this issue and emphasized the significance of establishing a comprehensive charging infrastructure. In 2022, the Ministry of Power in India revised the policies for EV infrastructure to equip public charging stations with a prepaid collection feature of service charges with appropriate rate differentiation through the day. Improved EV infrastructure can further stimulate the rapid growth of India's EV market.

Entry Barriers for India's EV Market

- **Talent Barrier.** The successful entry of EV OEMs into the Indian market requires a skilled workforce with specialized knowledge and expertise. The EV industry relies on talented engineers and technicians who have deep insights into designing, developing, manufacturing, and maintaining EVs. In addition to technical talent, an effective market penetration strategy necessitates involving proficient marketing professionals who are familiar with local consumer needs, purchasing behavior, and cultural subtleties. They also need to have a comprehensive understanding of the competitive landscape, policies, and regulations in the Indian market. Therefore, new entrants may face a strong talent barrier.
- **Capital Barrier.** Entering the EV market has high requirements for technological innovation, updating and iteration, requiring more human investment and R&D investment, and it takes a long period for R&D technology to achieve commercialization. Companies in the industry need to keep raising money to develop new vehicles that are of longer range, safer and smarter. At the same time, given the limited charging facilities in India, new entrants also need to invest in building charging infrastructure to market their products to consumers. Thus, capital would be a barrier for new EV OEM entrants.
- **Policy Barrier.** In order to promote the development of the EV industry, the Indian government released a series of fiscal policies, tariff policies, and credit policies to protect the domestic market, support and strengthen the domestic manufacturers, and encourages them to expand to foreign markets. The Indian government further increased tariffs on imported vehicles starting in April 2023 to boost the local automotive industry. According to the policy, tariffs on vehicles with CIF (cost insurance and freight) of less than USD40,000 will increase from 60% to 70%; tariffs will rise to 100% for products with a CIF above USD40,000; import duty on semi-knocked down (products imported in parts) will be raised to 35% from the existing 30%. Therefore, the protective policies will be a barrier for new foreign EV OEM entrants.
- **Supply Chain Barrier.** EVs comprise complex components, such as batteries, motors, and electronic control systems. The establishment of a reliable and high-quality component supply chain is crucial. However, it is noteworthy that India's domestic production capacity is presently limited. The creation of a suitable parts supply chain in India necessitates significant time and careful consideration of local manufacturing

INDUSTRY OVERVIEW

capabilities and supplier availability. Moreover, the existing shortage of charging infrastructure in India poses potential challenges for EV charging. In light of this, EV OEMs should contemplate integrating the establishment of charging equipment and stations into their supply chain strategies to ensure a comprehensive coverage of the entire EV supply chain. Consequently, new entrants may encounter strong supply chain barriers.

Overview of the U.S. EV and EV Battery Systems Markets

- The EV sales volume in the United States increased from 358 thousand units in 2018 to 1,482 thousand units in 2023, representing a CAGR of 32.9%. The U.S. EV market is currently experiencing a rapid growth stage, driven by both government policies and consumer demand. Automakers are being compelled to accelerate their transition to electrification due to strict carbon neutrality targets and emissions policies. The availability of a wide range of vehicle models is fueling consumer interest, while subsidy policies are encouraging purchases. Additionally, the development of charging infrastructure is alleviating consumer concerns and collectively promoting the advancement of the U.S. EV market. Therefore, the EV sales volume in the U.S. is expected to further increase from 2,133 thousand units in 2024 to 5,005 thousand units in 2028, at a CAGR of 23.8%.
- The installed units of EV battery systems in the U.S. has increased from 227 thousand in 2018 to 1,007 thousand in 2023, representing a CAGR of 34.7%. In the forecast period, due to the increase in both EV sales volume and battery capacity, the installed volume of BEV battery systems in the U.S. is expected to increase from 1,497 thousand units in 2024 to 3,770 thousand units in 2028 at a CAGR of 26.0%.

ALTERNATIVE BATTERY TECHNOLOGIES

Although it is anticipated that lithium-ion batteries will continue to dominate the battery market in the near future, researchers and industry players continue to explore new materials and technologies to reduce the costs and enhance the performance of batteries to facilitate the energy transition, including sodium-ion batteries which use sodium as the charge carriers.

Sodium-ion battery technology aims to reduce dependence on lithium resources and develop low-cost and high-safety battery systems. Similar to lithium-ion batteries, sodium-ion batteries are mainly composed of cathode and anode materials, electrolytes, and separators. Compared to lithium-ion batteries, the advantages of sodium-ion batteries lie in their affordability and safety. Sodium, being more abundant and less expensive, offers a more affordable alternative to lithium-ion batteries. Furthermore, compared with lithium batteries, sodium-ion batteries are relatively safer and are less prone to overheating or explosion. However, compared to lithium-ion batteries, sodium-ion batteries generally have lower energy density.

It is expected that sodium-ion batteries could be utilized for applications that currently use lead-acid batteries such as electric two-wheeled vehicles, backup power supplies, and low-speed electric vehicles, etc. However, the sodium-ion battery industry is still in a pre-commercialization stage, where the industry players are conducting R&D and pilot-scale production.

The sodium-ion battery industry is expected to start commercializing in several years. However, this depends on numerous factors, especially on raw material pricing, technological breakthroughs, and the implementation of downstream applications. Addressing these crucial issues will be necessary for the effective commercialization of sodium-ion battery technology, ensuring not only its economic viability but also its integration into a wide range of applications.

REGULATORY OVERVIEW

The following summarizes the key laws and regulations in our major markets which we believe are material to our operations. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to our business and operations and/or which may be important to potential investors. Potential investors should also note that the following summary is based on the laws and regulations in force as of the Latest Practicable Date and may be subject to change (possibly with retrospective effects).

LAWS AND REGULATIONS IN RELATION TO OUR BUSINESS IN THE PRC

PRC Regulatory Overview

A summary of the most significant rules and regulations affecting our business activities in China is set out in this section.

Principal regulatory authorities

In addition to supervision and management under authorities that perform general regulation on companies in the PRC, our operations in the PRC are mainly subject to supervision and management under the following authorities:

National Development and Reform Commission of the PRC

The National Development and Reform Commission of the PRC (the “**NDRC**”) is an authority that studies and formulates economic and social development policies, carries out overall balances and guides the overall economic system reform from an all-rounded macro perspective. It is responsible for promoting the development, formulating and implementing the national strategic emerging industries development plan, coordinating high-stake foreign investment projects.

Ministry of Industry and Information Technology of the PRC

Ministry of Industry and Information Technology of the PRC (the “**MIIT**”) is responsible for drawing up new industrialization development strategies and policies; formulating and implementing industrial planning, plans and policies, including the regulations for the industries of EV battery systems; monitoring and analyzing the trend of operation of industrial sector; and conducting surveys and publishing the relevant information; formulating and implementing the policies on industrial energy conservation and comprehensive utilization of resources and promotion of clean production.

Regulations and policies relating to EV industry

Industrial structure guidelines

On December 2, 2005, the NDRC promulgated the Guiding Catalog for Industrial Restructuring* (《產業結構調整指導目錄》), which was latest amended on December 27, 2023 and became effective on February 1, 2024. According to the Guiding Catalog for Industrial Restructuring, new primary EV batteries (including lithium-iron disulfide (Li-FeS₂) batteries and lithium thionyl chloride (LiSOCl₂) batteries), new batteries including lithium-ion batteries, semi-solid and all-solid lithium batteries, fuel cells, sodium ion batteries, flow batteries, sealed lead-acid batteries with new structures (including bipolar, horizontal, coiled and tubular), lead-carbon batteries; and supercapacitors fall into the state-encouraged industries.

On January 25, 2017, the NDRC further promulgated the Guiding Catalog for Key Products and Services for Strategic Emerging Industries* (《戰略性新興產業重點產品和服務指導目錄》). The Guiding Catalog for Key Products and Services for Strategic Emerging Industries specifies that packet assemblers and offline testing equipment dedicated for lithium-ion battery cells, modules and systems; new system EV batteries cells, battery management systems, super capacitor management systems; supercapacitor cells, modules and systems and electromechanical coupling systems, EV battery systems, high-voltage wiring harnesses and other components fall into the key products and services in strategic emerging industries.

On July 1, 2021, the NDRC promulgated the Notice of the 14th Five-Year Plan for Circular Economy Development* (《“十四五”循環經濟發展規劃的通知》) which aims to vigorously develop circular economy, promote resource conservation and intensive use, and build a resource recycling industrial system and recycling system of waste materials, the

REGULATORY OVERVIEW

establishment of the traceability management platform for the EV batteries of New Energy Vehicles (the "NEVs") shall be strengthened, and the traceability management system for the recycling and reuse of the EV battery of NEVs shall be improved.

Regulations and policies for developing EV industry

The Restructuring and Rejuvenation Program of the Automobile Industry* (《汽車產業調整和振興規劃》) promulgated by the General Office of the State Council and came into effect on March 20, 2009, clarifies that in order to implement the strategy of new energy vehicles, the optimization design technology, mass production process and cost control technology of special engines and power modules (motors, batteries, management systems, etc.) of new energy vehicles shall be mastered; the central government will provide subsidies to launch the national energy conservation and new energy vehicle demonstration project to support large and medium-sized cities to demonstrate and promote energy conservation and new energy vehicles such as hybrid electric vehicles, pure electric vehicles, and fuel cell vehicles.

According to the Circular of the State Council on Printing and Distributing the Development Plan for Energy-saving and New Energy Automotive Industry (2012-2020)* (《節能與新能源汽車產業發展規劃(2012-2020年)》) promulgated by the State Council and came into effect on June 28, 2012, the technical innovation of power battery should be vigorously promoted, focusing on the safety, reliability research and lightweight design of power battery system, The fiscal subsidies will be increased and financing options for EV purchases will be strengthened.

According to the Action Plan for Facilitating the Development of Automotive Power Battery Industry* (《促進汽車動力電池產業發展行動方案》) promulgated by the MIIT, the NDRC, the Ministry of Science and Technology (the "MOST") and the Ministry of Finance (the "MOF") on February 20, 2017, EV battery is the heart of EV and the key to the development of the new energy vehicle industry. It encourages institutions of higher learning, research institutions, key enterprises and others to collaboratively carry out the research and development and innovation of EV battery products under the new system through national key research and development programs, the National Natural Science Foundation and others, promoting the research and engineering development of new systems of batteries such as lithium sulfur batteries, metal air batteries and solid-state batteries. The specific energy of a single battery will be more than 400 watt-hours/kg by 2020 and 500 watt-hours/kg by 2025.

According to the Plan for the Middle and Long-term Development of the Automobile Industry* (《汽車產業中長期發展規劃》) promulgated by the MIIT, the NDRC and the MOST, on April 6, 2017, the research and development and industrialization of new energy vehicle technology shall be accelerated, using enterprise investment, social capital, national science and technology plans (special projects, funds, etc.) to coordinate and organize enterprises, universities, scientific research institutes, etc. to tackle key problems, and focus on task deployment around six innovation chains, including EV battery and battery management system, motor drive and power electronics assembly, intelligent technology of electric vehicles, fuel cell power system, plug-in/plug-in hybrid power system, and pure electric power system.

The Administrative Provisions on the Access for EV Manufacturers and Products* (《新能源汽車生產企業及產品准入管理規定》) promulgated by the MIIT on January 6, 2017, which was amended on July 24, 2020, and came into effect on September 1, 2020, clarifies the regulatory requirements for EV manufacturers and new energy automotive products by establishing rules and measures for monitoring and inspecting safety conditions. For example, the MIIT provisions require that an EV manufacturer must meet certain conditions, including being able to design, develop and manufacture products and provide after-sale service and product quality assurance. The MIIT provisions also require EV products to meet safety and technical requirements specified by the MIIT and to pass inspections conducted by a state-recognized testing institution.

According to the Planning for the Development of the New Energy Automobile Industry (2021-2035)* (《新能源汽車產業發展規劃(2021-2035年)》) promulgated by the General Office of the State Council and came into effect on October 20, 2020, China's new energy vehicle industry has entered a new stage of accelerated development. It is clearly mentioned that the implementation of battery technology breakthroughs will promote various programs such as the development of the full value chain of EV battery, the construction of a high-efficiency EV battery recycling system, and the acceleration of the promotion of EV

REGULATORY OVERVIEW

battery recycling legislation. By 2025, the competitiveness of China's new energy vehicle market will be significantly enhanced, with the sales volume of NEVs reaching about 20% of the total sales volume of new vehicles.

The Measures for the Parallel Administration of Average Fuel Consumption and NEV Credits for Passenger Vehicle Enterprises, or the Measures* (《乘用車企業平均燃料消耗量與新能源汽車積分並行管理辦法》) was promulgated by the MIIT, the MOF, the Minister of Commerce (the "MOFCOM"), the General Administration of Customs, and the General Administration of Quality Supervision, Inspection and Quarantine on June 15, 2020 and became effective on January 1, 2021, and was recently amended on June 29, 2023 and became effective on August 1, 2023, which are intended to ensure the continuing development of EVs and to control the fuel consumption of traditional energy vehicles by implementing credit-based policies. The Measures adopt a point-based system to administer (i) the average fuel consumption of passenger vehicles, and (ii) the production volume of EVs. Passenger vehicle manufacturers and imported passenger vehicle suppliers in China will regularly report and publicize the fuel consumption of passenger vehicles produced and imported and the relevant data of new energy passenger vehicles on the credit management platform, and can complete the corresponding energy consumption credit transfer, new energy credit transaction and other behaviors through the credit management platform.

According to Implementing Proposals for Promoting Green Consumption* (《促進綠色消費實施方案》) promulgated by the NDRC, the MIIT, Ministry of Housing and Urban-Rural Development, the MOFCOM, the State Administration for Market Regulation, the National Government Offices Administration and the Central Committee of the Communist Party of China on January 18, 2022, alternative fuel vehicles shall be promoted as to vigorously develop green transport consumption, the purchase restrictions on alternative fuel vehicles in all regions shall be gradually eliminated, the implementation of restriction-free driving, road right and other supporting policies shall be promoted, the construction of supporting infrastructure such as battery charging and swapping, new-type energy storage and hydrogenation shall be strengthened, and the development of liquefied natural gas for vehicles and vessels shall be actively promoted.

Regulations relating to subsidies for EVs

According to the Notice on Fiscal Subsidy Policies to Promote the Use of New Energy Vehicles in 2022* (《關於2022年新能源汽車推廣應用財政補貼政策的通知》) promulgated by the MOF, the MIIT, the MOST and the NDRC and came into effect on January 1, 2022, in order to maintain the good momentum of development of the new energy vehicle industry, considering the factors such as the development plan for the new energy vehicle industry, market sales trends and the smooth transition of enterprises, the policy on subsidies for purchase of new energy vehicles in 2022 would expire on December 31, 2022. No subsidy would be granted for vehicles licensed after December 31, 2022.

According to the Announcement on Extending Policies for the Exemption of Vehicle Purchase Tax on New Energy Automobiles* (《關於延續新能源汽車免徵車輛購置稅政策的公告》) jointly promulgated by the MIIT, the State Administration of Taxation (the "SAT") and the MOF and came into effect on September 18, 2022, new energy vehicles purchased during the period from January 1, 2023 to December 31, 2023 are exempted from vehicle purchase tax; new energy vehicles which have been included in the catalog of Models of new energy vehicles Exempted from Vehicle Purchase Tax* (《免徵車輛購置稅的新能源汽車車型目錄》) prior to December 31, 2022 may continue to be exempted from vehicle purchase tax. On June 19, 2023, the MIIT, the SAT and the MOF promulgated the Announcement on the Continuation and Optimization of Vehicle Purchase Tax Relief Policies for New Energy Vehicles* (《關於延續和優化新能源汽車車輛購置稅減免政策的公告》), which further states new energy vehicles purchased during the period from January 1, 2024 to December 31, 2025 are exempted from vehicle purchase tax, of which the tax exemption for each new energy passenger car shall not exceed RMB30,000, and the vehicle purchase tax will be halved for new energy vehicles whose purchase date is from January 1, 2026 to December 31, 2027, in which the tax reduction for each new energy passenger car does not exceed RMB15,000.

Laws and regulations relating to foreign investment

Company Law

According to the Company Law of PRC* (《中華人民共和國公司法》) (the "PRC Company Law") implemented by the Standing Committee of the National People's Congress (the "SCNPC") on December 29, 1993 and subsequently amended in 1999, 2004, 2005, 2013, 2018 and 2023, and the latest amended version of which will become effective on July 1, 2024, a company established under the PRC laws and within the territory of the PRC may take the

REGULATORY OVERVIEW

form of a limited liability company or a company limited by shares. The PRC Company Law shall also be applicable to foreign-invested limited liability companies and companies limited by shares, unless otherwise provided by the relevant laws and regulations.

Foreign Investment Enterprise Law

On March 15, 2019, the SCNPC promulgated the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**"), which came into force on January 1, 2020 and replaced simultaneously the Law of PRC on Sino-foreign Equity Joint Ventures* (《中華人民共和國中外合資經營企業法》), the Wholly Foreign-owned Enterprise Law of the PRC* (《中華人民共和國外資企業法》) and the Law of the PRC on Sino-foreign Cooperative Joint Ventures* (《中華人民共和國中外合作經營企業法》). The Implementation Regulations for the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法實施條例》) was promulgated by the State Council on December 26, 2019 and took effect on January 1, 2020. According to the Foreign Investment Law, foreign investors shall not invest in any field prohibited by the Negative List and shall meet the investment conditions stipulated for any field restricted by the Negative List, while for foreign investments outside the Negative List, it shall be administered under the principle of equal treatment to domestic and foreign investment. The State establishes a foreign investment information reporting system.

According to the Measures for the Reporting of Foreign Investment Information* (《外商投資信息報告辦法》) promulgated by the MOFCOM and the State Administration for Market Regulation on December 30, 2019 and came into effect on January 1, 2020, foreign investors or foreign-invested enterprises shall submit investment information in a timely manner, follow the principles of truthfulness, accuracy and completeness, and shall not make false or misleading reports or material omissions. Where a foreign-invested enterprise invests (including multi-level investment) to establish an enterprise in the PRC, the relevant information shall be pushed by the market supervision department to the competent department in charge of commerce after the registration and filing with the market supervision department and the submission of the annual report information.

Catalog for the Guidance of Foreign Investment Industries

According to the Provisions for Guiding Foreign Investment Direction* (《指導外商投資方向規定》) issued by the State Council on February 11, 2002 and implemented on April 1, 2002, the foreign-invested projects can be classified into the following categories by industries: encouraged, permitted, restricted and prohibited. The industries not listed in the catalog belong to the permitted investment projects.

According to the Catalog of Industries for Encouraging Foreign Investment (2020 Edition)* (《鼓勵外商投資產業目錄(2020年版)》), which was promulgated by the NDRC and the MOFCOM on December 27, 2020 and took effect on January 27, 2021, and was replaced by the Catalog of Industries for Encouraging Foreign Investment (2022 Edition)* (《鼓勵外商投資產業目錄(2022年版)》), which was promulgated on October 26, 2022 and took effect on January 1, 2023, the designing and manufacturing of EV battery belong to industries that encourage foreign investment.

Pursuant to the Special Management Measures (Negative List) for the Access of Foreign Investment (2021 Edition)* (《外商投資准入特別管理措施(負面清單)(2021年版)》) promulgated by the NDRC and the MOFCOM on December 27, 2021 and came into effect on January 1, 2022, the industry in which our PRC subsidiaries are primarily engaged does not fall into the category of restricted or prohibited industries. The Negative List stipulates in detail the special administrative measures for the market entry of foreign investment. Unless otherwise provided in the PRC laws, the industries which are not set out in the Negative List are permitted foreign invested industries.

Laws and regulations relating to production safety

Pursuant to the Law on Production Safety Law of the PRC* (《中華人民共和國安全生產法》), which became effective on November 1, 2002, last amended on June 10, 2021, and became effective on September 1, 2021, entities engaging in production are required to implement production safety measures specified in the Production Safety Law and other relevant laws, administrative regulations, national standards and industry standards. Any entity that does not implement such measures for safe production is prohibited from engaging in production and business operation activities. Entities are required to provide their employees with education and training on production safety. Entities shall also provide their employees with protective gear that meet national or industry standards as well as supervision and proper training to ensure their correct utilization.

REGULATORY OVERVIEW

Laws and regulations relating to product quality

The principal law governing product liability in the PRC is the Product Quality Law of the PRC* (《中華人民共和國產品質量法》) (the “**Product Quality Law**”), promulgated on February 22, 1993, amended on July 8, 2000, August 27, 2009 and last amended on December 29, 2018 by the SCNPC and became effective thereafter.

Pursuant to the Product Quality Law, a seller shall adopt measures to keep products for sale in good quality and comply with regulations regarding the labeling of products, and shall not sell defective or damaged products, forge the origin of a product, forge or falsely use another manufacturer’s authentication marks, or substitute a fake product for a genuine product or a defective product for a high-quality product.

Violation of the Product Quality Law may result in the imposition of fines, suspension of business operations, revocation of business licenses and criminal liability. Aggrieved consumers may seek compensation from both the manufacturer and the retailer. A retailer may seek reimbursement from the manufacturer in cases where the defect is due to the manufacturer, unless any agreement between the retailer and the manufacturer provides otherwise.

Laws and regulations relating to environmental protection

Enterprises conducting manufacturing activities in China are subject to provisions under PRC environmental laws and regulations on noise, wastewater, air emission and other industrial waste. The major governing environmental laws and regulations consist of the Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》), which was most recently amended on April 24, 2014 and became effective on January 1, 2015, the Law of the PRC on the Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》), which was most recently amended on June 27, 2017 and became effective on January 1, 2018, the Law of the PRC on the Prevention and Control of Air Pollution* (《中華人民共和國大氣污染防治法》), which was most recently amended on October 26, 2018 and became effective on the same day of promulgation, the Law of PRC on the Prevention and Control of Solid Waste Pollution* (《中華人民共和國固體廢物污染環境防治法》), which was partially amended on April 29, 2020 and became effective on September 1, 2020, and the Law of the PRC on Prevention and Control of Noise Pollution* (《中華人民共和國噪聲污染防治法》), which was promulgated on December 24, 2021 and became effective on June 5, 2022 (collectively “**the Environmental Laws**”). Pursuant to the Environmental Laws, PRC enterprises shall build requisite environmental treatment facilities affiliating to the manufacturing facilities, where waste air, wastewater and solid wastes generated can be treated properly in accordance with the relevant provisions.

According to the Law of the PRC on Environmental Impact Assessment* (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002 and amended on July 2, 2016 and December 29, 2018, and became effective on the same day of the last promulgation, the Regulations on the Administration of Environmental Protection for Construction Project* (《建設項目環境保護管理條例》) promulgated by the State Council of the PRC on November 29, 1998 and came into effect on November 29, 1998, amended on July 16, 2017 and implemented on October 1, 2017, Administration Regulations on Record-filing of the Registration Forms of Construction Projects* (《建設項目環境影響登記表備案管理辦法》) promulgated by the Ministry of Environmental Protection of PRC* (the “**MEP**,” which is the Ministry of Ecology and Environment of PRC now) on November 16, 2016 and came into effect on January 1, 2017, the Interim Measures on Environmental Protection Acceptance of Construction Projects* (《建設項目竣工環境保護驗收暫行辦法》) promulgated by the MEP on November 20, 2017 and effective on the same date and other relevant environmental laws and regulations, enterprises that are planning construction projects should provide assessment reports, statement or registration form on the environmental impact of such projects. The assessment reports and statements must be approved by the competent environmental protection authorities prior to commencement of any construction work, while the registration forms shall be filed to them. Unless otherwise stipulated by laws and regulations, enterprises which are required to provide assessment reports and statements shall undertake the responsibility of acceptance inspections of the environmental protection facilities by itself upon the completion of the construction project. A construction project may be formally put into production or use only if the corresponding environmental protection facilities have passed the acceptance examination. The competent authorities may carry out spot check and supervision on the implementation of the environmental protection facilities.

REGULATORY OVERVIEW

According to the Catalog of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2019 Edition)* (《固定污染源排污許可分類管理名錄(2019年版)》), promulgated by the Ministry of Ecology and Environment of PRC (the “MEE”) on December 20, 2019 and effective on the same day of promulgation, existing enterprises, public institutions and other production operators shall apply for pollutant discharge permit in accordance with this Catalog within the time limit of implementation.

According to the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation)* (《排污許可管理辦法(試行)》), promulgated by the MEP on January 10, 2018, last amended by the MEE on August 22, 2019 and implemented on the same date, the MEP shall lawfully formulate and issue the Catalog of Classified Management of Pollutant Discharge Permits for Stationary Pollution Source, and define the scope of stationary pollution sources subject to pollutant discharge permits management and the time limit for the application for pollutant discharge license. Enterprises, public institutions and other production operators (collectively the “**pollutant discharge entities**”) included in the Catalog of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources shall apply for and obtain a pollutant discharge license as per the prescribed time limit; and, it is temporarily unnecessary for pollutant discharge entities not included in the Catalog of classified management of pollutant discharge licenses for stationary pollution sources to apply for a pollutant discharge license.

In accordance with the Regulation on the Administration of Pollutants Discharge Permits* (《排污許可管理條例》) promulgated on January 24, 2021 by the State Council and implemented on March 1, 2021, enterprise, public institution and other producers and operators subject to the administration of pollutant discharge permit shall apply for a pollutant discharge permit under the provisions of this Regulation; and may not discharge pollutant without obtaining a pollutant discharge permit.

Laws and regulations relating to import and export goods

Pursuant to the Foreign Trade Law of the PRC* (《中華人民共和國對外貿易法》) which was promulgated by the SCNPC on May 12, 1994 and most recently amended on December 30, 2022 and became effective thereafter, foreign trade dealers shall, in accordance with the regulations laid down by the authority responsible for foreign trade under the State Council or other relevant authorities under the State Council in accordance with law, submit the documents and materials relevant to their foreign trade dealings to relevant authorities.

In accordance with the Provisions on the Administration of Recordation of Customs Declaration Entities of the PRC* (《中華人民共和國海關報關單位備案管理規定》) published by the General Administration of Customs of the PRC on November 19, 2021, and became effective as of January 1, 2022, customs declaration entities mean consignees or consignors of imports and exports and customs declaration enterprises which have filed record with the Customs pursuant to these Provisions. Consignees or consignors of imports and exports and customs declaration enterprises applying for filing shall obtain market entity qualification; in the case of consignees or consignors of imports and exports applying for filing, they shall also complete filing formalities for foreign trade operators.

Laws and regulations relating to employment

Labor contract

According to the Labor Law of the PRC* (《中華人民共和國勞動法》) (the “**PRC Labor Law**”) promulgated by the SCNPC on July 5, 1994, effective on January 1, 1995 and amended on August 27, 2009 and December 29, 2018 respectively and became effective thereafter, the Labor Contract Law of the PRC* (《中華人民共和國勞動合同法》) (the “**PRC Labor Contract Law**”) promulgated by the SCNPC on June 29, 2007, effective on January 1, 2008, amended on December 28, 2012 and became effective on July 1, 2013, and the Implementing Regulations of the Labor Contracts Law of the PRC* (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council on September 18, 2008, effective on the same date, as well as other related regulations, rules and provisions promulgated by the relevant government authorities from time to time. Compared to previous PRC Laws and regulations, the PRC Labor Contract Law imposes stricter requirements in such respects as signing of labor contracts with employees, stipulation of probation period and violation penalties, termination of labor contracts, payment of remuneration and economic compensation, use of labor dispatches as well as social security premiums.

REGULATORY OVERVIEW

According to the PRC Labor Law and the PRC Labor Contract Law, a labor contract in writing shall be concluded when a labor relationship is to be established between an employer and an employee. An employer shall pay an employee two times of his salary for each month in the circumstance where he fails to enter a written labor contract with the employee for more than a month but less than a year; where such period exceeds one year, the parties are deemed to have entered an unfixed-term labor contract. Employers shall pay wages that are not lower than the local minimum wage standards to the employees. Employers are also required to establish labor safety and sanitation systems in compliance with PRC rules and standards, and to provide relevant training to the employees.

Social insurance

The PRC social insurance system is mainly governed by the Social Insurance Law of the PRC* (《中華人民共和國社會保險法》) (the “**Social Insurance Law**”). The Social Insurance Law was promulgated by the SCNPC on October 28, 2010, became effective on July 1, 2011, subsequently amended on December 29, 2018, and became effective on the same date.

According to the Social Insurance Law, the Decision on the Establishment of the Medical Insurance Program for Urban Workers of the State Council* (《國務院關於建立城鎮職工基本醫療保險制度的決定》) (effective from December 14, 1998), the Regulation of Insurance for Work-Related Injuries* (《工傷保險條例》) (effective from January 1, 2011), Trial Measures for Maternity Insurance of the Staff and Workers in Enterprises* (《企業職工生育保險試行辦法》) (effective from January 1, 1995), the Regulations on Unemployment Insurance* (《失業保險條例》) (effective from January 22, 1999), the Interim Regulations on the Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) (effective from January 22, 1999, subsequently amended on March 24, 2019 and became effective thereafter), employers in the PRC shall pay five basic types of social insurance premiums for their employees, or rather, basis pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance.

According to the Social Insurance Law, if an employing entity does not pay the full amount of social insurance premiums as scheduled or required, the social insurance premium collection institution shall order it to make the payment or make up the difference within the stipulated period and impose a daily fine equivalent to 0.05% of the overdue payment from the day on which the payment is overdue. If the payment is not made within the prescribed time, the social insurance authority shall impose a fine ranging from one to three times of the overdue payment amount.

Housing provident fund

According to the Regulations on Management of Housing Provident Funds* (《住房公積金管理條例》), which was promulgated by the State Council and became effective on April 3, 1999, was subsequently amended on March 24, 2002 and March 24, 2019, and became effective on the same date of the latest promulgation, all business entities (including foreign invested enterprises) are required to register with the local housing provident funds management center and then maintain housing fund accounts with designated banks and pay the related funds for their employees. In addition, for both employees and employers, the payment rate for housing provident fund shall not be less than 5% of the average monthly salary of the employees in the previous year. The payment rate may be raised if the employer desires so. Where an entity violates the Regulations by failing to deposit the housing accumulation fund within the time limit or by under-depositing the fund, it shall be ordered by the housing accumulation fund management center to deposit the fund within a time limit; if it fails to deposit the fund within the time limit, it may apply to the people’s court for enforcement.

Laws and regulations relating to intellectual property rights

Patent

According to the Patent Law of the PRC* (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, effective on April 1, 1985, recently amended on October 17, 2020 and effective on June 1, 2021 as well as the Implementation Regulations for the Patent Law of the PRC* (《中華人民共和國專利法實施細則》) promulgated by the State Council on December 21, 1992, effective on January 1, 1993 and recently amended on December 11, 2023 and effective on January 20, 2024, inventions refer to inventions, utility models and designs. Inventions refer to new technical solutions for a product, method or its improvement. Utility models refer to new technical solutions for the shape, structure or the combination of both shape and structure of a product, which is applicable for practical use. Designs refer to new designs of the shape, pattern or the combination of shape and pattern, or the combination of the color, the shape and pattern of the whole or part of product with esthetic feeling and

REGULATORY OVERVIEW

industrial application value. The validity period of patent for inventions is 20 years, while the validity period of patent for utility models is 10 years, and the validity period of patent for designs is 15 years, all starting from the date of application.

Trademark

Trademarks are protected by the Trademark Law of the PRC* (《中華人民共和國商標法》) which was promulgated in 1982 and subsequently amended in 1993, 2001, 2013 and 2019, and became effective on November 1, 2019, as well as the Implementation Regulation of the Trademark Law of the PRC* (《中華人民共和國商標法實施條例》) promulgated by the State Council in 2002, last amended in 2014, and became effective on May 1, 2014. The Trademark Office under the SAIC handles trademark registrations and grants a term of ten years to registered trademarks which may be renewed for consecutive ten-year periods upon request by the trademark owner. Trademark license agreements must be filed with the Trademark Office for record. The Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

Copyright

In accordance with the Copyright Law of the PRC* (《中華人民共和國著作權法》), effective on June 1, 1991 and amended on October 27, 2001, February 26, 2010, November 11, 2020, and became effective on June 1, 2021, Chinese citizens, legal persons or other organizations own copyrights to their works, whether published or not. The copyright owner may license others to exercise copyright-related rights, in return of royalties in accordance with the agreement or regulations. Unless otherwise stipulated by law, anyone who uses others' works shall enter into a licensing contract with the copyright owner.

Domain Names

According to the Administrative Measures for Internet Domain Names* (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and effective from November 1, 2017, the establishment of domain name root servers and domain name root server operation institutions, domain name registration management institutions and domain name registration service institutions within the territory of the PRC shall obtain permission from the MIIT or the communications administration department of the province, autonomous region or municipality directly under the Central Government. The principle of "first come, first served" applies to domain name registration service.

The Notice of the MIIT on Regulating the Use of Domain Names in Internet Information Services* (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which was promulgated by the MIIT on November 27, 2017 and came into effect on January 1, 2018, stipulates the obligations of Internet information service providers and other entities to combat terrorism and maintain network security.

Laws and regulations relating to lease of property

Pursuant to (i) the Law on Administration of Urban Real Estate of the PRC* (《中華人民共和國城市房地產管理法》), promulgated by the SCNPC on July 5, 1994 and was amended on August 30, 2007, August 27, 2009 and August 26, 2019 and took effect on January 1, 2020, and (ii) the Administrative Measures on Leasing of Commodity Housing* (《商品房屋租賃管理辦法》), promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and came into effect on February 1, 2011, when leasing premises, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, use of the premises, rental and repair liabilities, and other rights and obligations of both parties. Both lessor and the lessee shall complete property leasing registration and filing formalities within 30 days from the execution of the property lease contract with the real estate administration department where the leased property is located. If the lessor and lessee fail to go through the registration and filing procedures, the competent construction (real estate) departments of the people's government of the municipalities directly under the central government, cities and counties shall urge them to make corrections within a specified time

REGULATORY OVERVIEW

limit, and shall impose a fine below RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on units which fail to make corrections within the specified time limit.

Laws and regulations relating to taxation

Enterprise income tax

According to the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》) (the "EIT Law") latest amended by the SCNPC and came into effect on December 29, 2018 and the Implementation Rules of the Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法實施條例》) (the "EIT Regulation") latest amended by the State Council and came into effect on April 23, 2019, both domestic and foreign-invested enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located in the PRC are considered resident enterprises, and will generally be subject to enterprise income tax at the rate of 25% of their global income. "De facto management bodies" is defined as "establishments that carry out substantial and overall management and control over production and operations, personnel, accounting, and properties" of the enterprise. If an enterprise is considered a PRC resident enterprise under the above definition, its global income will be subject to enterprise income tax at the rate of 25%.

Pursuant to the Administrative Measures for the Accreditation of High-tech Enterprises* (《高新技術企業認定管理辦法》) which became effective on January 1, 2016, high-tech enterprises, which are recognized in accordance with the Administrative Measures referred to immediately above, may apply for the tax preferential policy in accordance with the EIT Law and the EIT Regulation. Qualifying high-tech enterprises would be taxed at a rate of 15% on enterprise income tax.

Value-added tax

Pursuant to the Interim Value-added Tax Regulations of the PRC* (《中華人民共和國增值稅暫行條例》) which was amended and became effective on November 19, 2017 and the Implementing Rules for the Interim Regulations of the PRC on Value-added Tax* (《中華人民共和國增值稅暫行條例實施細則》) which was amended on October 28, 2011 and became effective on November 1, 2011 (collectively the "VAT Law"), all entities and individuals that are engaged in the sale of goods, the provision of repairs and replacement services and the importation of goods in China are generally required to pay value-added tax (the "VAT") at a rate of 17.0% of the gross sales proceeds received, less any deductible VAT already paid or borne by the taxpayer. Further, when exporting goods, the exporter is entitled to all the refund of VAT that it has already paid or borne unless otherwise stipulated.

On November 16, 2011, the MOF and the SAT jointly promulgated the Pilot Plan for Levying VAT in Lieu of Business* (《營業稅改徵增值稅試點方案》). Starting from January 1, 2012, the PRC government has been gradually implementing a pilot program in certain provinces and municipalities, to levy a 6% VAT on revenue generated from certain kinds of services in lieu of business tax.

According to the Circular of Full Implementation of Business Tax to VAT Reform* (《關於全面推開營業稅改徵增值稅試點的通知》) (the "Circular 36") jointly issued by the MOF and the SAT on March 23, 2016 and became effective on May 1, 2016, business tax will be completely replaced by VAT from May 1, 2016.

According to the Circular on Adjusting Value-added Tax Rates* (《關於調整增值稅稅率的通知》) jointly issued by the MOF and the SAT on April 4, 2018 and became effective on May 1, 2018, the VAT rate was further adjusted, including the change of tax rate from 17% and 11% to 16% and 10% respectively for the taxable sales or import of goods by the tax payer.

According to the Announcement on Policies Concerning Deepening the Reform of Value-added Tax* (《關於深化增值稅改革有關政策的公告》), which was promulgated on March 20, 2019 and became effective on April 1, 2019, a VAT general taxpayer who is previously subject to 16% on VAT-taxable sales activities shall have the applicable tax rates adjusted to 13%.

Withholding income tax and tax treaties

The EIT Law provides that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

REGULATORY OVERVIEW

Pursuant to an Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Double Tax Avoidance Arrangement**”), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority having satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other governing laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, in compliance with the Notice of SAT on the Issues concerning the Application of the Dividend Clauses of Tax Agreements* (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated and became effective on February 20, 2009, if the relevant PRC tax authorities determine in their discretion that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. The SAT issued the Announcement on Certain Issues Concerning the Beneficial Owners in a Tax Agreement* (《關於稅收協定中“受益所有人”有關問題的公告》) (the “**Circular 9**”) on February 3, 2018, which became effective on April 1, 2018, providing the guidance for determining whether a resident of a contracting state is the “beneficial owner” of an item of income under China’s tax treaties and similar arrangements. Under the Circular 9, a beneficial owner generally shall be engaged in substantive business activities and an agent may not be regarded as a beneficial owner and, therefore, may not qualify for these benefits.

Laws and regulations relating to Transfer Pricing

According to the EIT Law and the EIT Regulation, for the transactions between the enterprise and its related parties, if not meeting the independent transaction principle, the tax authority may adjust the taxable revenue or income in compliance with reasonable methods (including comparable uncontrolled price method, resale price method, cost-plus method, transactional net profit method, profit split method and other methods that meet the independent transaction principle). According to the Implementation Measures for Special Tax Adjustment (Trial Implementation)* (《特別納稅調整實施辦法(試行)》) which was promulgated by the SAT on January 8, 2009 and became effective on January 1, 2008, and was respectively amended on June 16, 2015, June 29, 2016, October 11, 2016, March 17, 2017, June 15, 2018, May 26, 2023 and September 7, 2023, the tax authorities shall review, evaluate, investigate and adjust whether the business dealings between enterprises and their related parties conform to independent transaction principle.

Pursuant to the EIT Law and the Law of the PRC on the Administration of Tax Collection* (《中華人民共和國稅收徵收管理法》), which was first promulgated on September 4, 1992 by the SCNPC and amended on February 28, 1995, April 28, 2001, June 29, 2013 and April 24, 2015, business dealings between enterprises or institutions and places engaged in production and business operations established by foreign enterprises in China and their affiliated enterprises shall be charged or paid as business dealings between independent enterprises. Pursuant to such laws and regulations, any company entering into related party transactions with another company shall comply with the independent transaction principle. According to the Implementation Regulations for the Law of the People’s Republic of China on Administration of Tax Collection* (《中華人民共和國稅收徵收管理法實施細則》), which was promulgated by State Council on February 6, 2016, if the taxpayer and its affiliated enterprises fail to pay the price and expenses according to the business dealings between independent enterprises, the tax authorities shall make adjustments within 3 years from the tax year in which the business dealings occur; Under special circumstances, it can be adjusted within 10 years from the tax year in which the business transaction occurs.

On June 29, 2016, the SAT issued the Public Notice regarding Refining the Reporting of Related Party Transactions and Administration of Transfer Pricing Documentation* (《國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告》) (the “**Circular 42**”). Circular 42 provides new transfer pricing compliance requirements in the PRC, including Annual Reporting Forms for Related Party Transaction, Country-by-Country Reporting Form (the “CbC Reporting Form”) and Transfer Pricing Documentation (the “TPD”), all of which are substantial changes to the previous rules. The CbC Reporting Forms are required for the Chinese resident enterprise if: (i) it is the ultimate holding company of a multinational enterprise’s (the “MNE”) group with combined revenue over RMB5.5 billion, or (ii) it is nominated by the MNE group as the CbC Reporting Entity. Circular 42 adopts a three-tiered approach for TPD, including master file, local file and special issue file, and sets different thresholds for each file and type of transaction. If the company meets either of the following criteria, a master file should be prepared: (i) have cross-border related party transactions and belong to a group which has prepared the master file; or (ii) the total annual amount of related

REGULATORY OVERVIEW

party transactions exceeds RMB1 billion. The threshold for the local file is dependent on the amount of related party transactions, which are listed below: (i) RMB200 million for tangible assets transfer (the amount of toll processing shall be calculated according to the annual import and export customs declaration price); (ii) RMB100 million for financial assets transfer; (iii) RMB100 million for intangible assets transfer; or (iv) RMB40 million for other related party transactions in total.

On March 17, 2017, the SAT issued the Administrative Measure for Special Tax Investigation Adjustments and Mutual Agreement Procedures* (《特別納稅調查調整及相互協商程序管理辦法》) (the "Circular 6"), which became effective on May 1, 2017 and was amended on June 15, 2018. Circular 6 provides rules on risk management, investigations and adjustments, administrative review and mutual agreement procedures regarding the special tax adjustment and other relevant issues. Circular 6 highlights the tax authorities' emphasis on strengthening the monitoring of enterprises' profit levels, and improving enterprises' compliance with the tax law through special tax adjustment monitoring and administration as well as special tax investigation adjustment. Circular 6 reinforces the transfer pricing administration on intercompany intangibles and services transactions, and provides certain methods and principles for investigations and adjustments.

Laws and regulations relating to Foreign Exchange

Foreign currency exchange

The Regulation of the PRC on Foreign Exchange Control* (《中華人民共和國外匯管理條例》), most recently amended by the State Council in August 1, 2008 and effective on August 5, 2008, is the principal regulation on foreign currency exchange in the PRC. Under the regulation, the Renminbi is freely convertible for current account items after due process, including distribution of dividends, trade-related foreign exchange transactions and service-related foreign exchange transactions, whereas foreign exchange for capital account items, such as direct investments or loans, requires prior approval of and registration with the State Administration of Foreign Exchange (the "SAFE").

Capital settlement and overseas remittance of foreign-invested enterprises

On November 19, 2012, the SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration* (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the "SAFE Circular 59"), which became effective on December 17, 2012 and was revised on May 4, 2015, October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, as well as multiple capital accounts for the same entity may be opened in different provinces.

On May 10, 2013, the SAFE promulgated the Provisions on Foreign Exchange Administration Over Direct Investment Made by Foreign Investors in the PRC* (《外國投資者境內直接投資外匯管理規定》) (the "SAFE Circular 21"), which became effective on May 13, 2013, amended on October 10, 2018, became effective thereafter, and partially abolished on December 30, 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

On June 1, 2015, the Notice of SAFE on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises* (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) came into effect, which was partially abolished on December 30, 2019 and March 23, 2023 and helps further deepen the reform of the foreign exchange administration system and better satisfy and facilitate the needs of foreign-invested enterprises for business and fund operations. This notice allows foreign-invested enterprises to settle their foreign exchange capital on a discretionary basis.

REGULATORY OVERVIEW

Furthermore, on June 9, 2016, the SAFE promulgated Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts* (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “SAFE Circular 16”), which became effective on the same day of promulgation, pursuant to which, in addition to foreign currency capital, enterprises registered in China may also convert their foreign debts, as well as repatriated funds raised through overseas listing, from foreign currency to Renminbi on a discretionary basis. The SAFE Circular 16 also reiterates that the use of capital so converted shall follow “the principle of authenticity and self-use” within the business scope of the enterprise.

In January 2017, the SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification* (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (the “SAFE Circular 3”), which became effective on January 26, 2017 and stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years’ losses before remitting the profits. Further, pursuant to the SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

On October 23, 2019, SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment* (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which became effective on the same date (except for Article 8.2, which became effective on January 1, 2020). The notice canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors’ security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenue under capital accounts, such as capital funds, foreign debts and overseas listing revenue for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

Foreign exchange registration of overseas investment by PRC residents

In July 2014, the SAFE issued SAFE Circular on Relevant Issues Relating to Domestic Resident’s Investment and Financing and Roundtrip Investment through Special Purpose Vehicles* (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “SAFE Circular 37”), which became effective on July 4, 2014. The SAFE Circular 37 regulates foreign exchange matters in relation to the use of special purpose vehicles (the “SPVs”), by PRC residents (including PRC institutions and individuals) to seek offshore investment and financing or conduct round trip investment in China. Under the SAFE Circular 37, a SPV refers to an offshore entity established or controlled, directly or indirectly, by PRC residents for the purpose of seeking offshore financing or making offshore investment, using legitimate onshore or offshore assets or interests, while “round trip investment” refers to direct investment in China by PRC residents through SPVs, namely, establishing foreign-invested enterprises to obtain the ownership, control rights and management rights. The SAFE Circular 37 provides that before making contribution into an SPV, PRC residents are required to complete foreign exchange registration with SAFE or its local branch.

The SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment* (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “SAFE Circular 13”) on February 13, 2015, which took effect on June 1, 2015 and was partially abolished on December 30, 2019. This notice has amended the SAFE Circular 37, requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

PRC residents or entities who have contributed legitimate onshore or offshore interests or assets to SPVs but have not obtained registration as required before the implementation of the SAFE Circular 37 shall register their ownership interests or control in the SPVs with qualified banks. An amendment to the registration is required if there is a material change with respect to the SPV registered, such as any change of basic information (including change of the PRC

REGULATORY OVERVIEW

residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, and mergers or divisions. Failure to comply with the registration procedures set forth in the SAFE Circular 37 and the subsequent notice, or making misrepresentation on or failure to disclose controllers of the foreign-invested enterprise that is established through round-trip investment, may result in restrictions being imposed on the foreign exchange activities of the relevant foreign-invested enterprise, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations.

Laws and regulations relating to dividend distribution

The principal law governing dividend distributions by our PRC subsidiaries is the PRC Company Law, while the dividend distribution by wholly foreign-owned enterprises is further governed by the Foreign Investment Law and its implementation regulations. According to the above laws and regulations, Chinese companies (including foreign-owned enterprises) may only pay dividends based on the accumulated profits calculated in accordance with PRC accounting principles.

In addition, in accordance with the PRC Company Law, when a company distributes their after-tax profits for a given year, they shall allocate 10% of its after-tax profits to their statutory common reserve. Companies shall no longer be required to make allocations to their statutory common reserve once the aggregate amount of such reserve exceeds 50% of their registered capital unless the provisions of laws regarding foreign investment otherwise provided. If a company’s statutory common reserve is insufficient to make up its losses of the previous years, such losses shall be made up from the profit for the current year prior to making allocations to the statutory common reserve pursuant to the preceding paragraph. Such reserved cash cannot be distributed as cash dividends.

Laws and regulations relating to Merger and Acquisition

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-Owned Assets Supervision and Administration Commission of the State Council, the SAT, the State Administration for Industry and Commerce, SAFE, and China Securities Regulatory Commission, jointly promulgated the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors* (《關於外國投資者併購境內企業的規定》) (which was subsequently amended by the MOFCOM on June 22, 2009 and became effective on the same date) (the “**M&A Provisions**”), which regulates merger and acquisition of non-foreign investment enterprises (“domestic enterprises”) by foreign investors and became effective on September 8, 2006.

Pursuant to the M&A Provisions, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise or subscribes for the increased capital of a domestic enterprise as to convert the domestic enterprise into a foreign-invested enterprise; or (ii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets or purchases the assets of a domestic enterprise and then invests such assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Provisions, where a domestic company or enterprise, or domestic natural person, through an overseas company legally established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required.

Laws and regulations relating to Overseas Offering and Listing

On February 17, 2023, the China Securities Regulatory Commission (the “**CSRC**”) promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) and relevant five guidelines (the “**Overseas Listing Trial Measures**”), which came into effect on March 31, 2023.

According to the Overseas Listing Trial Measures, the PRC domestic enterprises that seek to offer and list securities in overseas markets (“**Overseas Offering and Listing**”), either directly or indirectly, are required to fulfill the filing procedure and report relevant information to the CSRC. If a PRC domestic enterprise fails to complete the filing procedure, or if the filing documents contain misrepresentation, misleading statement or material omission it may be

REGULATORY OVERVIEW

given administrative penalties such as ordering correction, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other persons directly responsible may also be given administrative penalties such as warnings and fines.

To be specific, according to the principle of substance over form, if the issuer meets both the following conditions at the same time, its Overseas Offering and Listing will be regarded as indirect Overseas Offering and Listing by a PRC domestic enterprise: (i) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China.

In the case of indirect Overseas Offering and Listing by a PRC domestic enterprise, the issuer shall designate a major domestic operating entity responsible for all filing procedures with the CSRC, and where an issuer makes an application for indirect Overseas Offering and Listing, the issuer shall submit filings with the CSRC within three business days after such application is submitted.

The Overseas Listing Trial Measures also set forth the issuer’s reporting obligations in the event of occurrence of material events (the “**Material Events**”) either during the period of finishing filing with the CSRC to the point before the Overseas Offering and Listing (“**Stage A**”), or after the Overseas Offering and Listing (“**Stage B**”). In the event of the occurrence of any of the following Material Events, the issuer shall make a detailed report to the CSRC within 3 working days after the occurrence and public announcement of the relevant event: In Stage A, the Material Events are: (i) Major change of main business or business license qualification; (ii) Change of control right or major change of ownership structure; (iii) Major adjustment of the issuing and listing plan (In addition to the possible change of control right after the adjustment of the issuing and listing plan, major adjustment also includes the common change of listing place and the proportion of issued shares increased in the listing project). In Stage B, the Material Events are: (i) change of control; (ii) investigations or sanctions imposed by overseas securities regulatory authorities or the relevant authorities; (iii) change of listing status or transfer of listing segment; (iv) voluntary or mandatory delisting. Besides, where an issuer’s main business undergoes material changes in Stage B, and is therefore no longer within the scope of business stated in the filing documents, such issuer shall submit to the CSRC an ad hoc report and a relevant legal opinion issued by a PRC domestic law firm within 3 working days after the occurrence of the relevant change to provide an explanation of the relevant situation.

On February 24, 2023, the CSRC promulgated the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Confidentiality Provisions**”), which came into effect on March 31, 2023. The Confidentiality Provisions aim to fulfill confidentiality and archive administration obligations during the process of Overseas Offerings and Listings. Pursuant to this Confidentiality Provisions, domestic joint-stock enterprises listed in overseas markets via direct offering and domestic operational entities of enterprises listed in overseas markets via indirect offering must obtain approval and complete filing or other requirements before they publicly disclose any documents and materials that contain state secrets or working secrets of government agencies or that, if divulged, will jeopardize China’s national security or public interest, or before they provide such documents or materials to entities or individuals such as securities companies, securities service providers and overseas regulators.

LAWS AND REGULATIONS IN RELATION TO OUR BUSINESS IN THE UNITED STATES

Businesses operating in the United States are subject to many governmental standards and regulations at the federal, state and local levels. The below is a brief overview of governmental standards and regulations that are expected to be material to our operations in the United States in assembly of, research, design, development, integration, servicing and testing of lithium cells and modules in the United States.

This summary is provided for general information purposes and is not exhaustive or intended to be a complete description of all laws, rules and regulations that may be applicable to Octillion US or the parts and products imported.

REGULATORY OVERVIEW

Industry Specific Legislations and Environmental Laws

Shipment of lithium batteries

As Octillion US is involved in shipping lithium batteries following assembly, it is subject to the regulations of UN 38.3 with respect to testing, packaging, and shipping. Specifically, there are testing requirements, test summary and specific information required for the test summary, a shipper's declaration, and packaging and label requirements.

There are additional federal regulations for batteries shipped by air, under 49 CFR 175. Lithium batteries are considered dangerous goods, and all of the regulatory requirements must be complied with, as set out in the Lithium Battery Shipping Regulations. The required steps and guidelines can be found in International Air Transport Association's Lithium Battery Shipping Regulations manual.

Recycling and disposal of lithium batteries

Under the Resource Conservation and Recovery Act, some lithium batteries may meet the definition of hazardous waste. California has similar laws regarding recycling and disposal of lithium batteries under the Rechargeable Battery Recycling Act of 2006. In particular, both federal and California laws require proper disposal of lithium batteries and by-products, such as the product handled by Octillion US. Octillion US utilizes a third-party recycler to handle and dispose of lithium batteries and any hazardous waste.

Material – safety – data sheet (MSDS)

Octillion US is required to maintain and make available to its employees and customers/users safety data sheets (SDS), material safety data sheets (MSDS), or product safety data sheets (PSDS) listing information relating to toxicity, hazards, exposure, occupational safety and health for the use, handling and storage of various substances and products. SDSs are a widely used system for cataloging information on chemicals, chemical compounds, and chemical mixtures.

Import Tariffs, Transfer Pricing and Customs Regulations

United States customs regulations apply to any products entering the United States, including the lithium cells and modules, and parts required to assemble, imported by Octillion US. United States customs regulations are administered by the United States Customs and Border Protection. These regulations cover, among other things, valuation of goods, classification, recordkeeping requirements, entry formalities, and laws related to duties and tariffs, which are imposed on certain imported goods. Octillion US utilizes an independent third-party customs broker to handle any duty owed at customs.

The duties assessed by customs and the approach of the US tax authorities for purposes of intercompany transfer pricing are different. US customs authorities generally refer to the General Agreement on Tariffs and Trade Valuation Code to determine the dutiable value, while the US Internal Revenue Service applies Section 482 of the United States Internal Revenue Code of 1986, as amended (the "**Tax Code**"), The Tax Code authorizes the Internal Revenue Service to adjust the income, deductions, credits, or allowances of commonly controlled taxpayers to prevent evasion of taxes or to clearly reflect their income. The US tariffs and duties apply a standard whereby the amounts due to the United States Customs Service are based upon arm's length values utilizing the General Agreement on Tariffs and Trade Valuation Code. The tax regulations under section 482 of the Tax Code generally provide that prices charged by one affiliate to another, in an intercompany transaction involving the transfer of goods, services, or intangibles, yield results that are consistent with the results that would have been realized if unrelated taxpayers had engaged in the same transaction in an arm's length manner under the same circumstances. The application of customs duties and tariffs and the application of tax law frequently result in differing results for related entities.

Employment and Labor Laws

Both federal and state laws provide the standards in properly classifying personnel (see e.g., Fair Labor Standards Act) and imposing a duty to pay minimum wages (California Labor Code § 1182.12), unemployment insurance premiums (California Unemployment Insurance Code § 676) as well as workers compensation and disability insurance premiums (California Labor Code § 3700). Further, California requires prompt payment of final salaries and wages upon termination of employment. (California Labor Code § 201).

REGULATORY OVERVIEW

Additionally, California labor and employment laws regulate other aspects of the workplace, such as prohibiting an employer from discriminating or retaliating against employees in a variety of protected classes, requiring pregnancy accommodations and equal pay, allowing employees to access their personnel files, providing employees to certain leaves or time off, including bereavement leave, family and medical leave, paid family leave, paid sick leave, and domestic violence leave, and requiring employers to provide a safe working environment for their employees, including the development of a written Injury and Illness Prevention Program that includes, among other things, instruction on safe workplace practices.

Both California law and US federal law as interpreted by the National Labor Relations Board and Federal Trade Commission limit the enforcement of restrictive covenants and agreements not to compete in employment relationship agreements.

Corporations Code and Other Filings Requirements

California Corporations Code

California state law governs the organization and management of a company formed under California law to do business in California as well as its relationship with its shareholders. Specifically, California Corporations Code governs various requirements for a corporation to maintain its existence (good standing). As a California corporation Octillion US is subject to the provisions of the California Corporations Code dealing with the powers and duties of its officers and directors, the powers of shareholders, voting by directors and shareholders, mergers, limitations on the payment of dividends, distributions or returns of capital, and certain acquisitions. Octillion US is also required to file annual statements of information with the Secretary of State (California Corporations Code § 1502) setting forth, among other things, the names and complete business or residence addresses of its incumbent directors, number of vacancies on the board, the name and complete business or residence addresses of its chief executive officer, secretary, and chief financial officer, the principal executive office's street address, and mailing address (if different than the executive office), and to hold annual meetings to elect members of its board of directors and officers (California Corporations Code §§ 301, 600).

Additionally, the City of Richmond, where Octillion US has its offices mandates that it has a business certificate issued by the City of Richmond Finance Department.

Similarly, Contra Costa County, where Octillion US has its offices mandates the filing of an annual Business Property Statement if its total cost of business personal property is \$100,000 or higher.

NHTSA Battery Safety Initiative

The United States National Highway Traffic Safety Administration (NHTSA) is charged with regulating the safety of motor vehicles and related equipment. It was involved with the United Nations Global Technical Regulation No 20 on Electric Vehicle Safety (March 14, 2018) (the "GTR") addressing the safety risks of electric vehicles and is currently working on establishing a Battery Safety Initiative for Electric Vehicles for the United States. The NHTSA coordinates research and other activities to address safety risks relating to batteries in electric vehicles and is actively working on Phase 2 of the GTR. It is also involved in Phase 2 of the GTR chairing the development of the phase 2 working group. In this regard it collects and analyzes crash and other data and conducts its own investigations, monitors battery diagnostics and management systems and charging systems. NHTSA has also been involved in multiple recalls associated with issues relating to electric vehicle batteries.

Bureau of Economic Analysis Benchmark Survey for 2022 (the "Survey")

The Survey was required to be filed in May 2023 for calendar year 2022. It is a statistical survey. Additional filings may be required if, as and when Octillion US receives funds from its parent, disburses funds to its parent, receives distributions from its subsidiaries and makes capital contributions or loans to its subsidiaries meeting certain thresholds.

Corporate Transparency Act

In 2024, unless Octillion US is exempt under the Corporate Transparency Act, Octillion US will be required to file a mandatory filing with the Financial Crimes Enforcement Network (FinCEN), a bureau of the Department of the Treasury in the United States, describing the company, providing its address, tax identification number and other identifying information and listing its beneficial owners (individuals) which include for this purpose any 25%

REGULATORY OVERVIEW

stockholder, each officer, each director and any person having control over substantial business operations of Octillion US and providing the home address, date of birth, a government issued ID number and a government issued ID document (passport or driver's license) or each such person.

Data Privacy Laws

There are various laws and regulations at both the federal and state levels that involve privacy, data protection of personal information, security, retention and deletion. Specifically, the California Consumer Privacy Act and the California Privacy Rights Act require businesses to take measures to protect consumer data and employee data that is collected, analyzed or utilized. Additionally, the California Online Privacy Protection Act provides certain requirements for website privacy policies if personally identifiable information is collected from California residents.

Sale of Goods Laws

Generally sales of goods and leases of goods between buyers/lessees and sellers/lessors in California and between buyers/lessees and sellers/lessors located in other states within the United States are governed by the Uniform Commercial Code (the "UCC") as adopted in the state that is relevant to the transaction. The California Commercial Code governs both sales and leases of goods as well as negotiable instruments, bank deposits and collections, letters of credit, documents of title, investment securities and secured transactions. Sales of goods between US entities and entities in nations that are party to the United Nations Convention of the International Sale of Goods (the "CISG") are generally governed by the CISG unless the parties elect not to have the CISG apply to their transaction. The CISG supersedes Division 2 of the California UCC (Sales) to the extent that the CISG is inconsistent with Division 2 (Sales). Under both the UCC and CISG the parties to the sale or lease agreement are bound by a duty of good faith and fair dealing. Under both the UCC and CISG express and implied warranties may apply to the individual transactions, and both the UCC and CISG provide for damages and how to calculate damages to buyers and to sellers for breach of contract. The UCC does not recognize title retention arrangements and treats them as secured transactions (creating liens) requiring filings with an appropriate governmental authority to perfect the security interest (lien) of the seller.

Intellectual Property Law

Generally intellectual property in the US can be categorized into four types, patents, trademarks, copyrights and trade secrets. Federally registered patents, trademarks and copyrights have statutory protection against infringement available to the owners of these types of intellectual property. The author of a work of authorship has protected rights whether or not a registration is filed with the US Copyright Office. Inventors and holders of trademarks generally register their inventions and marks with the United States Patent and Trademark Office (USPTO) to obtain protection under the federal laws governing patents and trademarks. If they do not register with the USPTO, then they may have state level rights under common law to pursue infringers. Trade secrets are protected under the Uniform Trade Secrets Act adopted in most of the US states (including California) and under the federal Defend Trade Secrets Act of 2016. In some states where the Uniform Trade Secret Act has not been adopted or where it permits common law to coexist, trade secret protection is based on the common law of the state. Common law is a compilation of prior court decisions in the applicable state including prohibitions against misappropriation, unfair competition and unfair trade practices.

LAWS AND REGULATIONS IN RELATION TO OUR BUSINESS IN INDIA

The Companies Act, 2013 (the "Companies Act")

The Companies Act is the primary legislation that governs the way companies in India may incorporate, carry out their day-to-day functioning, or wind-up their operations. It seeks to protect the interests of various stakeholders, including shareholders, employees, creditors, and the general public, by laying down clear rules and regulations for the conduct of business. The Companies Act also governs the appointment and removal of the board of directors; filing of annual reports and other significant corporate actions, functioning of the board (and its powers), procedures for resolutions to be taken by the board of directors and the shareholders, winding up of the company, etc.

REGULATORY OVERVIEW

Industry Specific Legislations

Central Motor Vehicles Rules, 1989 (“Motor Vehicle Rules”)

The Motor Vehicles Rules consolidate the laws relating to motor vehicles in India. We are required to comply with the relevant standards specified by Bureau of Indian Standards of any component to be used in the manufacture of a vehicle, which includes batteries. These standards pertain to the testing process, safety and performance of electric vehicle batteries. Further, the Automotive Research Association of India has also framed standards for electric vehicles that we must comply with.

Maharashtra Electric Vehicle Policy, 2021 (“EV Policy”)

The EV Policy was issued in February 2018 by the Government of Maharashtra and updated in July 2021. The EV Policy is valid till March 31, 2025 and applies exclusively to Battery Electric Vehicles (“BEVs”) sold and registered in the State of Maharashtra. The primary objective of the EV Policy is to accelerate adoption of BEVs in the state so that they contribute to 10% of new vehicle registrations by 2025. We can avail certain incentives under this EV Policy by offering extended warranty and buyback of batteries. These incentives are in addition to the FAME II incentives offered by the Government of India.

Product Safety Laws

Secondary Cells and Batteries Containing Alkaline or Other Non-Acid Electrolytes — Safety Requirements for Portable Sealed Secondary Cells and for Batteries Made from Them for Use in Portable Applications Part 2 Lithium Systems (Second Revision) (IS 16046 (Part 2): 2018/IEC 62133-2: 2017)

This Bureau of Indian Standards (“BIS”) standard includes safety requirements and tests for the safe operation of portable secondary lithium cells and batteries containing non-acid electrolytes. The standard requires manufacturers to register with BIS and mandates that the production, importation, trading or distribution of lithium-ion batteries is not permitted without the application of authorized BIS markings.

AIS 038 Rev 2 (2020) — Specific Requirements for Electric Power Train of Vehicles

The latest amendment to AIS 038, an automotive standard, covers additional safety requirements pertaining to batteries. The standard is used to assess batteries from a functional safety point of view.

AIS-004 (Part 1)/1999 and Amendments No. 1 & 2 — Electromagnetic Radiation from Automotive Vehicle — Permissible Levels and Methods of Tests

This standard lays down the method of measurement and permissible limits of interference voltage or interference field strength emitted in the form of electromagnetic waves by automotive vehicles and/or separate technical units intended for fitment in vehicles. This standard applies to all types of motor vehicles, including agricultural tractors and applies to electric vehicle or vehicles fitted with electric motors and to components or separate technical units intended for fitment in vehicles.

AIS-004 (Part 2) — Electromagnetic Radiated Immunity of Automotive Vehicles — Requirements & Methods of Tests

This standard lays down the requirements and methods of tests for determining electromagnetic radiated immunity of automotive vehicles and separate electrical/electronic technical units intended for fitment in vehicles. This standard applies to all types of motor vehicles, including agricultural tractors as well as to electric vehicle or vehicles fitted with electric traction motors and to components or separate technical units intended for fitment in vehicles.

REGULATORY OVERVIEW

AIS-004 (Part 3) (Rev. 1) and Amendment 1 — Automotive Vehicles — Requirements for Electromagnetic Compatibility

This standard applies to (i) vehicles of categories L, M, N and T with regard to electromagnetic compatibility; and (ii) components and separate technical units intended to be fitted in these vehicles. The classification of vehicles is as provided below:

NO.	VEHICLE CATEGORY	DESCRIPTION
1.	CATEGORY L	Refers to two wheeled motor vehicles, divided into (i) Category L-1 which means a motorcycle with maximum speed not exceeding 45 km/h and engine capacity not exceeding 50 cc, if fitted with a thermic engine or motor power exceeding 0.5 kilowatt if fitted with electric motor; and (ii) Category L-2 which means a motorcycle other than Category L-1.
2.	CATEGORY M	A motor vehicle with at least four wheels used for carrying passengers.
3.	CATEGORY N	A motor vehicle with at least four wheels used for carrying goods which may also carry person in addition to the goods subject to the conditions specified in Para 3.2 of AIS 053-2005 are met.
4.	CATEGORY T	A non-self propelled driven road vehicle, including a semi-trailer, having at least two wheels which, on account of its design and technical features, is used to transport persons or goods and is intended to be towed by a motor vehicle.

Testing Parameters to enhance Human Safety of Electric Vehicles

The Indian Union Ministry of Heavy Industries (“MHI”) has also made certain tests mandatory for all EV and battery suppliers, for claiming incentives/payouts under various schemes implemented by MHI. These tests strive to enhance human safety by ensuring quality (i) of battery packs; and (ii) battery management systems.

Environmental Laws

Water (Prevention and Control of Pollution) Act, 1974 (“Water Act”)

The Water Act was enacted to provide for the prevention and control of water pollution and the maintenance or restoration of water. The Water Act is implemented by the Central and State Governments and the Central and State Pollution Control Boards. The Act prohibits the discharge of toxic and poisonous matter in rivers and streams without treating the pollutants in accordance with the standards which have been laid down. The Water Act provides for entities to obtain a Consent to Establish (“CTE”) and Consent to Operate (“CTO”) from the Maharashtra Pollution Control Board (“MPCB”) prior to the establishment of an industry, operation or process or any treatment or disposal system.

Air (Prevention and Control of Pollution) Act, 1981 (“Air Act”)

The Air Act was enacted to provide for the prevention, control and abatement of air pollution and protect the environment from smoke and other toxic effluents released in the atmosphere by industries. The Air Act is implemented by the Central and State Governments and the Central and State Pollution Control Boards. The Air Act has declared several areas as air pollution control areas. The Air Act provides for entities to obtain a CTE and CTO from the MPCB prior to the establishment or operation of any industrial plant in an air pollution control area.

REGULATORY OVERVIEW

Environment Protection Act, 1986 (“Environment Act”)

The Environment Act regulates the discharge of environmental pollutants, handling of hazardous substances, ensures speedy response in the event of accidents threatening the environment and penalises those who endanger human environment, safety and health. The Central Government has notified the following key rules under the Environment Act which are applicable to us:

Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016 (“Hazardous Waste Management Rules”)

The Hazardous Waste Management Rules have been enacted to ensure safe handling, generation, processing, treatment, package, storage, transportation, use reprocessing, collection, conversion, and offering for sale, destruction and disposal of hazardous and other wastes.

The Battery Waste Management Rules, 2022 (“Battery Waste Management Rules”)

The Battery Waste Management Rules are applicable to all types of batteries regardless of chemistry, shape, volume, weight, material composition and use and cover electric vehicle batteries. The Battery Waste Management Rules function based on the concept of Extended Producer Responsibility (“EPR”) where the producers (including importers) of batteries are responsible for collection and recycling/refurbishment of waste batteries and use of recovered materials from wastes into new batteries. EPR mandates that all waste batteries should be collected and sent for recycling/refurbishment, and it prohibits disposal in landfills and incineration. Under the Battery Waste Management Rules, We have the following obligations:

- To ensure the attainment of the recycling or refurbishing obligations and meet the collection and recycling and/or refurbishment targets specified.
- To register itself through the online centralized portal as a producer and obtain a certificate of registration.
- To provide the EPR plan to the Central Pollution Control Board (“CPCB”).
- To file annual returns regarding the waste battery collected and recycled or refurbished towards fulfilling obligations under EPR with the CPCB and MPCB.
- To comply with minimum use of domestically recycled materials according to the specifications in relation to electric vehicle batteries.

Employment and Labor Laws

The Factories Act, 1948 (“Factories Act”)

The Factories Act aims to regulate the working conditions in factories and to ensure the safety, health and welfare of workers employed in those factories. The Factories Act sets out various provisions related to the working conditions of the workers and provides for the appointment of inspectors who are empowered to visit the factories to ensure that the provisions of the Factories Act are being complied with. In case of non-compliance, the inspectors may issue orders to remedy the situation or impose penalties.

The Employees Provident Fund and Miscellaneous Provisions Act, 1952 (“EPF Act”)

The EPF Act is a social security legislation in India that requires employers (and employees) to contribute a certain percentage of the employee’s salary towards a provident fund, which is a savings scheme that provides retirement benefits. The EPF Act also provides for other social security benefits such as pension and life insurance.

The Employees’ State Insurance Act, 1948 (“ESI Act”)

The ESI Act is a social welfare legislation that provides for medical, cash, and other benefits to employees and their families in case of sickness, maternity, or injury arising out of employment. Under the ESI Act, employees and employers are required to contribute a percentage of the employee’s wages towards the Employees’ State Insurance Corporation.

REGULATORY OVERVIEW

The Payment of Gratuity Act, 1972 ("Gratuity Act")

The Gratuity Act is a legislation enacted to provide a retirement benefit to employees who have completed 5 (five) years of continuous service with their employer, upon termination of their employment (due to superannuation, retirement, resignation, or death/disablement due to accident or disease). An employer is required to pay an eligible employee gratuity for every completed year of service (or part thereof) in excess of 6 (six) months.

Other employment and labor laws and regulations that may be applicable to us in India include the Maharashtra Shops and Establishments (Regulation of Employment and Conditions of Service) Act, 2017, the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, the Maternity Benefit Act, 1961, the Payment of Bonus Act, 1965 and the Contract Labor (Regulation and Abolition) Act, 1970.

Intellectual Property Laws

The significant laws in this field include: (a) the Patents Act, 1970, which provides for the grant of patents for inventions and provides legal protection and exclusive rights to the inventor; (b) the Trademarks Act, 1999, which provides for the registration of trademarks and protects the goodwill and reputation of businesses by preventing others from using identical or similar marks; and (c) the Copyright Act, 1957, which provides for the protection of literary, artistic, musical, and other creative works and provides legal protection and exclusive rights to creators.

Transfer Pricing Regulations

Income-tax Act, 1961 ("IT Act") and Income-tax Rules, 1962 ("IT Rules")

In India, transfer pricing is regulated under sections 92 to 92F of the IT Act and rules 10A to 10E of the IT Rules. These sections and rules provide for a transfer pricing mechanism based on the computation of income arising out of cross-border transactions having regard to the arm's length price. The provisions have been incorporated to ensure that transactions undertaken between Related Parties (also called as Associated Enterprises) are as per arm's length principles i.e., at fair market value. Two or more entities are said to be Related Parties, when one entity participates directly or indirectly or through one or more intermediaries, in the management, control, or capital of the other entity or in each of the entities. The transfer pricing regulations were introduced to ensure that any income and/or expense arising to a taxpayer in India, as a result of an international transaction with its Related Party, shall be computed after the application of an arm's length principle and in compliance with the transfer pricing regulations. The IT Rules provide for the method of calculation of such arm's length pricing. The IT Rules also provide for computation of secondary adjustments to the calculated transfer price.

The transfer pricing provisions apply both to international transactions as well as specified domestic transactions ("**SDT**"). For international transactions, transfer pricing provisions cover all types of transactions entered between Related Parties, i.e., both capital account transactions and current account transactions. International transactions mean a transaction between two or more Related Parties, where either or both of the entities are non-residents. It is to be noted that there has to be a presence of a non-resident Related Party in the transaction chain, to call it a "international transaction." The transfer pricing provisions also apply to a non-resident Related Party, in a situation where a particular international transaction entered into with an Indian resident Related Party, gives rise to a taxable income in India in the hands of such non-resident Related Party. Additionally, the transfer pricing provisions in India are also applicable to transactions between two non-resident Related Party, where such non-resident related parties are commonly connected to an Indian Resident Related Party, here again the precondition is the same, to evaluate whether such a particular international transaction gives rise to a taxable income for such non-resident Related Party in India.

However, transfer pricing provisions has limited applicability on SDT, i.e. transactions between Indian entities, either of which is availing deductions under Section 10 of the Indian Income Tax Act. Entities subject to transfer pricing provisions in India are required to maintain an annual transfer pricing study report along with relevant documents pertaining to the relevant transactions to which transfer pricing provisions apply. Further, these entities are also required to obtain an annual tax certificate from a Chartered Accountant in a specified form (Form 3CEB).

REGULATORY OVERVIEW

Laws Governing Foreign Direct Investments

The primary legislation governing the foreign exchange regime in India is the Foreign Exchange Management Act, 1999 (“**FEMA**”) (as amended from time to time) along with the rules and regulations framed thereunder, including the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 and the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019; and the Consolidated Foreign Direct Investment Policy, 2020 (“**FDI Policy**”) issued by the Department of Promotion of Industry and International Trade (“**DPIIT**”) as amended from time to time by way of press notes issued by DPIIT. An investment in an Indian entity by a foreign entity may only be made pursuant to the provisions of FEMA and the FDI Policy.

Laws Relating to Taxation

Some of the tax legislations that are applicable to our operations include: (a) the Income-tax Act, 1961 read with the Income-tax Rules, 1962; (b) the Central Goods and Service Tax Act, 2017 read with the Central Goods and Service Tax Rules, 2017 and various state-specific legislations made thereunder; (c) the Integrated Goods and Service Tax Act, 2017; and (d) state-specific legislations in relation to professional tax.

Laws Relating to Import Tariffs and Customs Regulations

The Customs Act, 1962 (“**Customs Act**”) is the primary legislation governing the levy and collection of import duties in India. The Customs Act lays down various provisions regarding the levy and exemption of duties, appointment of customs officers and their duties, the power to detain and impound imported goods, adjudicating authorities and powers of search and seizure by customs officers.

In order to claim a concessional rate of duty, an importer is required to first submit certain information to the customs authorities, including the name and address of the importer, the goods produced at the importer’s manufacturing facility, and the particulars set out in the concessional rate of duty notification issued by the customs authorities applicable to such import. If the submitted information is accepted by the authorities, a unique identification number will be generated for the importer (the “**IIN**”). The importer is also required to submit a continuity bond with surety as required by the customs officials, undertaking to pay the difference between the duty ordinarily leviable and the duty already paid, if any, at the time of import (with interest) for the period starting from the date of import of the goods and ending with the date of actual payment of the entire amount differential duty required to be paid. Thereafter, the importer is required to file bills of entry mentioning the IIN and the continuity bond number, and the customs officials at the relevant customs station will permit the exemption benefit to the importer. Once the bill of entry is cleared by the customs authority, the continuity bond will be automatically debited in the customs authority’s system. For subsequent imports, the importer is also required to submit certain monthly returns to the customs authority, through its portal. As confirmed by our Indian legal counsels, we had followed the relevant procedures stipulated by the laws and regulations in claiming concessional rates of duty for importing battery cells into India during the Track Record Period and up to the Latest Practicable Date.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

Dr. Zhou founded our holding company, Octillion Energy Holdings, Inc. (formerly known as SinoElectric Powertrain Corporation) and our U.S. subsidiary, Octillion US, to conduct R&D activities in the United States, in October 2009.

In April 2010, considering the significant EV market potential in the PRC and for the purposes of manufacturing and providing EV battery systems and other related products to customers in the PRC, we established Octillion Hefei as our wholly-owned subsidiary and our key operating subsidiary in China. In February 2017, with JAC, we formed Octillion JV, a joint venture with JAC. Octillion JV allowed us to strengthen our position in the EV market in the PRC.

In December 2017, in order to tap into the local market while lowering operating cost and enhancing efficiency, we established Octillion India in India as our wholly-owned subsidiary to manufacture and supply EV battery systems to our customers in India.

KEY MILESTONES

The following table sets out the key milestones of our corporate and business development:

Year	Event
2009	<ul style="list-style-type: none">• Dr. Zhou established our Company and Octillion US.• We started to develop our cylindrical power battery pack system (BEST).
2010	<ul style="list-style-type: none">• We secured our first auto OEM partner and established a research and development and manufacturing center for our EV series battery system.• We completed our Series A financing and raised an aggregate amount of US\$1.0 million.
2011	<ul style="list-style-type: none">• We completed our Series B financing and raised an aggregate amount of approximately US\$5.06 million.
2012	<ul style="list-style-type: none">• In November 2012, we started to sell EV series battery system and reached sales value of over RMB10 million.• We completed our Series C financing and raised an aggregate amount of approximately US\$10.94 million.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Year	Event
2014	<ul style="list-style-type: none">• We completed our Series C-1 financing and raised an aggregate amount of approximately US\$1.57 million.
2015	<ul style="list-style-type: none">• We designed China's first mass-produced NCM (nickel-cobalt-manganese) cylindrical battery systems.• We completed our Series D financing and raised an aggregate amount of approximately US\$12.0 million.
2017	<ul style="list-style-type: none">• In February 2017, we established Octillion JV.• We designed one of the first mass produced battery systems in China using NCM 811 high energy density battery cells.• In December 2017, we established Octillion India to manufacture and supply EV battery to our customers in India.
2018	<ul style="list-style-type: none">• In early 2018, we started to engage in business with an Indian company listed on the National Stock Exchange of India and the BSE (formerly the Bombay Stock Exchange) which is known for its production of a wide variety of vehicles including passenger cars, sports cars and vans and is one of the largest auto OEMs in India. We reached sales value of RMB37.8 million in 2018.• We completed our Series E financing and raised an aggregate amount of approximately US\$37.09 million.
2020	<ul style="list-style-type: none">• We started mass supply of our EV battery system to one of the largest auto OEMs (based on the production volume of specific best-selling models) in China by volume for production of certain popular models which led to boom of the A00 market in China.• We developed our Multifunctional Unitized Structure technology platform (MUST) and supplied product to SGMW.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Year	Event
2021	<ul style="list-style-type: none">• We started to engage in business with CATL, a PRC company listed on the Shenzhen Stock Exchange (stock code: 300750) that specializes in the manufacturing of lithium-ion batteries for electric vehicles and energy storage systems.• In June 2021, we established Octillion Liuzhou, which started operation in August 2022 with an annual production capacity of 60,000 units.• We developed our Flexible Lines with Island and Chain Kinematics (FLICK) chain-based kinematics.
2022	<ul style="list-style-type: none">• In early 2022, we entered into an investment cooperation agreement with local government of Feixi county, Hefei in China for the expansion of our manufacturing capacity and construction of a EDD lab.• We completed our Series F financing and raised an aggregate amount of approximately US\$77.87 million.• We entered into a number of strategic agreements with one of the leading global machinery construction companies listed on the New York Stock Exchange to enable its transformation into electrified product portfolio, which includes building an exclusive production line for the customer.• We developed our Flexible Layered Architecture for Software and Hardware (FLASH).
2023	<ul style="list-style-type: none">• In the first quarter of 2023, our new manufacturing facilities in India commenced operation with an initial capacity of 2.0 GWh.• We expanded our customer base, which includes several leading battery cell manufacturers in China.• We developed our Flexible Lines with Island and Chain Kinematics (FLICK) island-based kinematics.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES

We set forth below information about the major subsidiaries of our Group that made a material contribution to our total assets, gross profit and/or revenue during the Track Record Period^(Note):

Name	Date of incorporation/ establishment and commencement of business	Place of incorporation/ establishment	Ownership as of the Latest Practicable Date	Principal business activities
Octillion US	October 30, 2009	United States	100%	Supply battery systems for electric vehicles, vessels, and energy storage solutions, etc. and related hardware and software
Octillion India	December 19, 2017	India	100%	Supply battery systems for electric vehicles and related hardware and software
Octillion Hefei	April 19, 2010	The PRC	100%	Engineering, design, development and manufacturing of battery systems for electric vehicles, vessels, and energy storage solutions, etc. and related hardware and software
Octillion JV	February 27, 2017	The PRC	50%	Engineering, design, development and manufacturing of battery systems for electric vehicles, and related hardware and software

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name	Date of incorporation/ establishment and commencement of business	Place of incorporation/ establishment	Ownership as of the Latest Practicable Date	Principal business activities
Octillion Anqing	November 22, 2019	The PRC	50%	Engineering, design, development and manufacturing of battery systems for electric vehicles, and related hardware and software
Octillion Liuzhou	June 16, 2021	The PRC	100%	Engineering, design, development and manufacturing of battery systems for electric vehicles, and related hardware and software

Note: A subsidiary of our Group is a major subsidiary if it contributed 5% or more to the total assets, revenue and/or gross profit of our Group in any year/period of the Track Record Period.

MAJOR CORPORATE DEVELOPMENT

We set out below the major shareholding changes of our Company and changes in equity capital of our major subsidiaries.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on October 30, 2009. The initial authorized share capital of our Company was US\$1,000 divided into 10,000,000 ordinary shares of a nominal value of US\$0.0001 each. On the day of incorporation, one Share was allotted and issued to the initial subscriber, which was then transferred to Dr. Zhou on the same day.

(i) Initial subscriptions and Series A investment

Our Company repurchased on November 20, 2009 the one Share from Dr. Zhou, and allotted and issued on November 19, 2009, 720,000 Shares, 391,500 Shares, 391,500 Shares to Mr. David Pariseau, Mr. Wayne Cheung and Mr. Paul Tsao, respectively, and on November 23, 2009, allotted and issued 3,000,000 Shares to Dr. Zhou, at a consideration of US\$0.0001 per Share. As of the Latest Practicable Date, the consideration was fully settled.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Pursuant to a Series A preference shares purchase agreement dated March 9, 2010, TDRH Capital Co. Limited, Starlite Investment Group LLC, Mr. Guang Ouyang, Dr. Zhou, Mr. Paul Tsao, Mr. Robert Shih-Chiu Wu, Mr. Wayne Cheung and Mr. Michael Donoughe subscribed for an aggregate of 2,251,503 Series A preference shares of our Company at a total consideration of approximately US\$1.0 million. The consideration was satisfied through cash and the cancelation of a promissory note dated December 4, 2009 with an aggregate principal amount of US\$255,000 issued by our Company to TDRH Capital Co. Limited, Starlite Investment Group LLC and Mr. Guang Ouyang. The consideration was determined after arm's length negotiations taking into account the timing of the investments and the operating results and prospects of our business and operating entities.

(ii) Further subscriptions and Series B investment

On July 6, 2010, July 13, 2010 and March 30, 2011, certain options which had been granted under the Pre-[REDACTED] Share Incentive Scheme were exercised, as a result, our Company allotted and issued 3,000 Shares, 20,000 Shares and 74,357 Shares to Ms. Amy Wessner, Mr. Wei Zhou and Mr. Michael Donoughe, respectively, on payment of an exercise price of US\$0.044 per Share. As of the Latest Practicable Date, all exercise price was fully settled.

Pursuant to a Series B preference shares purchase agreement dated March 31, 2011, KPCB China Fund, L.P., KPCB China Founders Fund, L.P., TDRH Capital Co. Limited, Starlite Investment Group LLC, Mr. Guang Ouyang, Dr. Zhou, Mr. Paul Tsao, Mr. Wayne Cheung, Mr. Michael Donoughe and Mingly China Growth Fund, L.P. subscribed for an aggregate of 4,487,474 Series B preference shares of our Company at a total consideration of approximately US\$5.06 million. The consideration was satisfied through cash and the cancelation of a promissory note dated December 17, 2010 with a principal amount of US\$1,989,999.99 issued by our Company to TDRH Capital Co. Limited, Starlite Investment Group LLC, Mr. Guang Ouyang, Dr. Zhou, Mr. Paul Tsao, Mr. Wayne Cheung and Mr. Michael Donoughe for the conversion into 998,984 Series B preference shares at a discount of 15% and for the conversion into 857,714 Series B preference shares. The consideration was determined after arm's length negotiations taking into account the timing of the investments and the operating results and prospects of our business and operating entities.

(iii) Further subscriptions, repurchase and Series C investment

On January 21, 2012, February 1, 2013 and September 29, 2013, certain options which had been granted under the Pre-[REDACTED] Share Incentive Scheme were exercised, as a result, our Company allotted and issued 11,666 Shares, 50,000 Shares and 270,833 Shares to John Hovell, Wayne Cheung and Brian Dillard, respectively, on payment of an exercise price of US\$0.044 per Share for John Hovell and Wayne Cheung, and on payment of an exercise price of US\$0.117 per Share for Brian Dillard. As of the Latest Practicable Date, all exercise price was fully settled.

On January 29, 2013, our Company repurchased 261,000 Shares (which had not vested) from Wayne Cheung due to his retirement at nil consideration.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Pursuant to a Series C preference shares purchase agreement dated August 14, 2012 (as amended by a supplemental agreement dated January 27, 2014), KPCB China Fund, L.P. and KPCB China Founders Fund, L.P. agreed to subscribe for an aggregate of 6,533,373 Series C preference shares of our Company at a total consideration of approximately US\$8.94 million and 1,333,332 warrant to Series C preference shares of our Company (convertible into 1,333,332 Series C preference shares at an exercise price of US\$1.50 per share subject to adjustment) with the total consideration of approximately US\$2 million for exercise of warrants. The consideration was satisfied through cash and the cancelation of promissory notes dated December 8, 2011, February 28, 2012 and June 11, 2012 with an aggregated principal amount of US\$4,500,000 issued by our Company to KPCB China Fund, L.P. and KPCB China Founders Fund, L.P. The consideration was determined after arm's length negotiations taking into account the timing of the investments, in particular a qualified financing did not occur prior to the maturity of the promissory notes, and the operating results and prospects of our business and operating entities.

(iv) Further subscriptions and Series C-1 investment

Pursuant to a Series C-1 preference shares purchase agreement dated June 26, 2014, China Electronics Corporation Huada International Ltd. and Mr. Jimmy Lee agreed to subscribe for an aggregate of 948,485 Series C-1 preference shares of our Company at a total consideration of approximately US\$1.57 million. The consideration was satisfied through cash, and was determined after arm's length negotiations taking into account the timing of the investments and the operating results and prospects of our business and operating entities.

On August 15, 2014 and September 12, 2014, certain options which had been granted under the Pre-[REDACTED] Share Incentive Scheme were exercised, as a result, our Company allotted and issued 50,000 Shares, 38,958 Shares and 95,833 Shares to Mr. Paul Tsao, Mr. Shih-Hao Wang and Mr. Zhesheng Li, respectively, on payment of an exercise price of US\$0.044 per Share for Mr. Paul Tsao and Li Zhesheng, and on payment of an exercise price of US\$0.117 per Share for 12,083 Shares and US\$0.044 per Share for 26,875 Shares for Mr. Shih-Hao Wang. As of the Latest Practicable Date, all exercise price was fully settled.

(v) Series D investment

Pursuant to a Series D preference shares and subsidiary preferred shares purchase agreement dated January 29, 2015, SVIC No. 15 New Technology Business Investment LLP, SVIC No. 25 New Technology Business Investment LLP, KPCB China Fund, L.P., KPCB China Founders Fund, L.P., Sycamore Capital Holdings Limited and Grandview Mountain Investments Limited agreed to subscribe for an aggregate of 3,535,354 Series D preference shares of our Company at a total consideration of US\$7,000,000. The consideration was satisfied through cash, and was determined after arm's length negotiations taking into account the timing of the investments and the operating results and prospects of our business and operating entities. Pursuant to the same agreement, SBCVC Fund V Pte Ltd and Southern Cross REVC Trusco Pty Limited were granted rights to exchange 2,525,252 series A redeemable

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

convertible preferred shares in Octillion Power Systems Australia Pty. Ltd. (“**Octillion Australia**”) (which has been deregistered on November 6, 2019) for 2,525,252 Series D preference shares of our Company with the same issuance price of at US\$1.98 per share (the “**Put Option**”).

On December 27, 2017, upon exercise of the Put Option, our Company allotted and issued an aggregate of 2,525,252 Series D preference shares of our Company to SBCVC Fund V Pte Ltd and Southern Cross REVC Trusco Pty Limited in exchange for the preferred shares of Octillion Australia.

(vi) Further subscription and conversion of preference shares

On July 13, 2016, certain options which had been granted under the Pre-[REDACTED] Share Incentive Scheme were exercised, as a result, our Company allotted and issued 197,143 Shares to Dr. Zhou on payment of an exercise price of US\$0.117 per Share for 50,000 Shares and US\$1.00 per Share for 147,143 Shares. As of the Latest Practicable Date, the consideration was fully settled.

In order to facilitate the potential listing of the Company on the Nasdaq Global Market (please refer to the paragraph headed “Previous Listing Plans” in this section for details), on September 1, 2016, all preference shares of our Company were fully converted into ordinary shares of par value of US\$0.0001 each (the “**Conversion**”).

Immediately upon completion of the allotment and conversion, Dr. Zhou held approximately 15.49% of the total issued share capital of our Company.

(vii) Share transfers, exercise of warrant and exercise of employee share options

On July 17, 2017, KPCB China Fund, L.P. and KPCB China Founders Fund, L.P. transferred all their Shares and warrant to Series C preference shares of our Company to Power Sino Development Limited at nil consideration. Power Sino Development Limited is wholly owned by KPCB China Fund, L.P. and KPCB China Founders Fund, L.P., the transfer therefore did not involve change of beneficial ownership. On August 7, 2017, upon exercise of the warrant by Power Sino Development Limited, our Company allotted and issued 1,333,332 Series C preference shares of our Company to Power Sino Development Limited at an exercise price of US\$1.50 per Share.

On November 29, 2017, 115 of our employees exercised their share options to subscribe for a total of 2,064,500 Shares at an aggregate exercise price of US\$1,620,471. On the same day, the employees transferred their Shares to Manjushri Global Holding Limited, the holding vehicle for the administration of the Employee’s Trust. For details of the Pre-[REDACTED] Share Incentive Scheme, please refer to “Pre-[REDACTED] Share Incentive Scheme” in this section and “Statutory and General Information — D. Share Incentive Schemes — 1. Pre-[REDACTED] Share Incentive Scheme” in Appendix IV to this document.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(viii) *Share transfers, subscription and Series E investment*

Pursuant to a Series E preference shares purchase agreement dated August 16, 2017 (as amended by supplemental agreements dated December 27, 2017, September 21, 2018 and October 17, 2018), Mahayana Energy Global Limited, China Electronics Corporation Huada International Ltd., Dr. Zhou, Starlite Investment Group NV LLC, SBCVC Fund V Pte Ltd, SVIC No. 24 New Technology Business Investment LLP, SVIC No. 30 New Technology Business Investment LLP, TotalEnergies Ventures International, S.A.S. and Ananda Energy Holdings Limited subscribed for an aggregate of 5,504,726 Series E preference shares of our Company at a total consideration of approximately US\$37.09 million. The consideration was satisfied through cash and conversion of convertible notes, and was determined after arm’s length negotiations taking into account the timing of the investments and the operating results and prospects of our business and operating entities.

On December 27, 2017, since the listing did not materialize, pursuant to the agreement in respect of the Conversion, our Company entered into a reconversion agreement to redeem all ordinary shares held by the original preference shareholders to convert all the Shares issued in connection with the Conversion and then held by such original preference shareholders back into such number and series of preference shares as held by such original preference shareholders prior to the Conversion.

On April 25, 2018, in order to satisfy the exercise of the options granted pursuant to the Pre-[REDACTED] Share Incentive Scheme, our Company allotted and issued 289,000 Shares, 256,000 Shares and 60,000 Shares to Mr. Yang Wang, Mr. Ieng Kit Leung and Mr. Michael Donoughe, respectively, at considerations of US\$168,210, US\$263,680 and US\$2,640. As of the Latest Practicable Date, all consideration was fully settled.

On October 30, 2018, the following transfers took place:

Transferor	Transferee	Series D preference shares	Consideration (US\$)
SVIC No. 15 New Technology Business Investment LLP	KB IP Investment Fund	50,000	325,000
SVIC No. 15 New Technology Business Investment LLP	KB Pre IPO Secondary Venture Fund 1st	90,000	585,000
SVIC No. 15 New Technology Business Investment LLP	KB Pre IPO Secondary Venture Fund II	120,000	780,000
SVIC No. 15 New Technology Business Investment LLP	SJ New Challenge Fund	123,075	799,987.5
SVIC No. 15 New Technology Business Investment LLP	GU Semiconductor Venture Fund	78,462	510,003
SVIC No. 25 New Technology Business Investment LLP	Mirae Asset Good Company Secondary Fund #18-1	153,846	999,999

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(ix) Second conversion of preference shares and share repurchase and transfers

On June 25, 2019, in order to comply with the listing rules and requirements that all preference rights of existing shareholders shall be terminated before listing as our Group intended to apply for a listing on the STAR Market of Shanghai Stock Exchange (please refer to the paragraph headed “Previous Listing Plans” in this section for details), all preference shares of our Company were fully converted into ordinary shares of par value of US\$0.0001 each (the “**Second Conversion**”).

On June 27, 2019, as certain employees had yet to pay up the exercise price for the Shares granted pursuant to the Pre-[REDACTED] Share Incentive Scheme, the Company repurchased an aggregate of 150,000 Shares from Manjushri Global Holding Limited at a consideration of US\$2.7 million. The repurchase price was determined after arm’s length negotiations taking into account the expected valuation at the relevant time and the contemplated listing plan.

On December 31, 2020 and May 19, 2021, the following transfers took place:

Date	Transferor	Transferee	Ordinary Shares	Consideration (US\$)
December 31, 2020	Starlite Investment Group LLC	Starlite Investment Group NV LLC ⁽¹⁾	337,208	426,000
May 19, 2021	SVIC No. 25 New Technology Business Investment LLP	Starlite Investment Group NV LLC	175,602	1,425,888.24
May 19, 2021	SVIC No. 25 New Technology Business Investment LLP	Starlite Investment Group LLC	175,602	1,425,888.24
May 19, 2021	SVIC No. 30 New Technology Business Investment LLP	Starlite Investment Group LLC	54,618	443,498.16

Note:

- (1) Starlite Investment Group LLC and Starlite Investment Group NV LLC are under Mr. Alfred Tsai Chu’s common control. The transfer therefore did not involve change of beneficial ownership and was carried out as part of the shareholder’s internal restructuring.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(x) Series F investment, redesignation, share conversion, surrender and transfers

Pursuant to a Series F preference shares purchase agreement dated December 28, 2021 (as amended by supplemental agreement dated July 8, 2022), EASE Fortune International Limited (“**Ease Fortune**”), Ally Bridge Intergrity1 Limited, Xincheng Capital Fund, L.P., Xincheng Capital Fund II, L.P., Mahayana Energy Global Limited, SAIC Technologies Fund II, LLC, Starlite Investment Group LLC, Sky Green Enterprises Limited, Mr. Paul Maynard Beach III and NXP B.V. agreed to subscribe for an aggregate of 4,399,618 Series F preference shares of our Company at a total consideration of approximately US\$77.87 million. The consideration was satisfied by EASE Fortune through cancelation of indebtedness owed by our Company to EASE Fortune and through cash by the other relevant Pre-[REDACTED] Investors, and was determined after arm’s length negotiations taking into account the timing of the investments and the operating results and prospects of our business and operating entities.

At the same time, all ordinary shares, which were converted from preference shares of our Company upon the Second Conversion, were redesignated into senior ordinary shares.

On May 29, 2019, EASE Fortune granted a loan of US\$3,500,000 to our Group. Such loan may be converted into shares of our Company at the lower of US\$10 per share or the relevant valuation of a new round of investment. On December 28, 2021, EASE Fortune decided to exercise the conversion right and our Company entered into an ordinary shares subscription agreement with EASE Fortune under which our Company shall allot and issue 350,000 Shares to EASE Fortune at a purchase price of US\$10 per Share.

On December 28, 2021, Mahayana surrendered 350,000 Shares for nil consideration as part of the consideration payable by Mahayana for the Series E preference shares remained outstanding.

On February 17, 2022 and November 21, 2022, as part of the shareholders’ internal restructuring, the following transfers took place:

Date	Transferor	Transferee	Senior ordinary shares	Consideration <i>(US\$)</i>
February 17, 2022	KB Pre IPO Secondary Venture Fund 1st	KB Tail End Fund ⁽¹⁾	90,000	657,900
February 17, 2022	KB Pre IPO Secondary Venture Fund II	KB Tail End Fund ⁽²⁾	120,000	877,200
November 21, 2022	Grandview Mountain Investments Limited	PH Holdings Limited (formerly known as HKEF One Limited) ⁽³⁾	252,525	4,469,692.5

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) The general partner of each of KB Pre IPO Secondary Venture Fund 1st, KB Pre IPO Secondary Venture Fund II and KB Tail End Fund is KB Investment Co. Ltd. The transfer therefore did not involve a change of control.
- (2) The general partner of each of KB Pre IPO Secondary Venture Fund 1st, KB Pre IPO Secondary Venture Fund II and KB Tail End Fund is KB Investment Co. Ltd. The transfer therefore did not involve a change of control.
- (3) Grandview Mountain Investments Limited and PH Holdings Limited (formerly known as HKEF One Limited) are under the common ownership of Mr. Wing Hon Cheung. The transfer therefore did not involve change of beneficial ownership and was carried out as part of the shareholder’s internal restructuring.

On September 29, 2022, as John M. Guo transferred his equity interest in Octillion Hefei to Octillion Miyuan as part of the Reorganization, our Company entered into an ordinary shares subscription agreement with John M. Guo under which our Company shall allot and issue 2,689 Shares to John M. Guo at a consideration of US\$47,609 (equivalent to the initial subscription money contributed by John M. Guo to Octillion Hefei). Such allotment and issuance of Shares were pursuant to a subscription agreement (the “**Octillion Hefei Subscription Agreement**”) dated November 22, 2021 entered by, among others, our Company and John M. Guo under which our Company shall, at John M. Guo’s request, allot and issue Shares to John M. Guo in relation to his subscription of the registered capital of Octillion Hefei. As of the Latest Practicable Date, the consideration was fully settled. For details of John M. Guo’s investment in Octillion Hefei, please refer to the paragraph headed “Octillion Hefei” below.

(xi) Issuance, repurchase and transfers

On June 5, 2023, upon exercise of the options granted pursuant to the Pre-[REDACTED] Share Incentive Scheme, our Company allotted and issued 833 ordinary shares to Yaron Alexandrovich at an exercise price of US\$2,499. As of the Latest Practicable Date, the considerations were fully settled.

On June 13, 2023, as part of the Company’s remedial actions to further reduce any risk associated with the Uncontactable Third Party Payments (please refer to the paragraph headed “Third Party Payments” in this section for details), our Company repurchased 78,620 senior ordinary shares and 344,586 senior ordinary shares from Dr. Zhou and Mahayana at a consideration of US\$511,000 and approximately US\$2.8 million, respectively. As of the Latest Practicable Date, the consideration was fully settled.

On June 13, 2023, Dr. Zhou transferred 197,143 ordinary shares and 361,823 senior ordinary shares to Agama Pole Holding Limited, which is a company indirectly wholly owned by him, at nil consideration.

On June 13, 2023, Mr. Guang Ouyang transferred 337,207 senior ordinary shares to Tgyal Investment Holdings Limited, which is a company directly wholly owned by him, at nil consideration.

On July 3, 2023, Dr. Zhou transferred 3,000,000 ordinary shares to Dirgha Peak Holding Limited, a company directly wholly owned by him, at nil consideration.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CAPITALIZATION OF OUR COMPANY

The following table sets out the shareholding structure of our Company after issuance of series financing on one-for-one as converted basis, as of the Latest Practicable Date and immediately upon completion of the Capitalization Issue and the [REDACTED], assuming the [REDACTED] is not exercised and no Shares are allotted and issued under the Share Incentive Schemes:

Shareholder	Relationship with our Group	Series A	Series B	Series C	Series C-1	Series D	Series E and transfers	Series F, share conversion, surrender and transfers	Total number of Shares as of the Latest Practicable Date	Shareholding in our Company as of the Latest Practicable Date ⁽¹⁾	Shareholding in our Company upon completion of the Capitalization Issue and the [REDACTED]
Dr. Zhou ⁽²⁾	Our executive Director, Chairman and Chief Executive Officer	3,225,150	3,337,207	3,337,207	3,337,207	3,337,207	3,772,977	3,772,977	3,694,357	9.55%	[REDACTED]
David Pariseau	Our former employee	720,000	720,000	720,000	720,000	720,000	720,000	720,000	720,000	1.86%	[REDACTED]
Wayne Cheung	Our former employee	414,016	425,221	214,221	214,221	214,221	214,221	214,221	214,221	0.55%	[REDACTED]
Paul Tsao	Our former employee and our current consultant	414,016	425,221	425,221	475,221	475,221	475,221	475,221	475,221	1.23%	[REDACTED]

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholder	Relationship with our Group	Series A	Series B	Series C	Series C-1	Series D	Series E and transfers	Series F, share conversion, surrender and transfers	Total number of Shares as of the Latest Practicable Date	Shareholding in our Company as of the Latest Practicable Date ⁽¹⁾	Shareholding in our Company upon completion of the Capitalization Issue and the [REDACTED]
TDRH Capital Co. Limited	Our Pre-[REDACTED] Investor, a company wholly owned by Mr. Enqiang Wang, a former Director	1,238,326	3,037,003	3,037,003	3,037,003	3,037,003	3,037,003	3,037,003	3,037,003	7.85%	[REDACTED]
Starlite Investment Group LLC ⁽³⁾	Our Pre-[REDACTED] Investor, a company controlled by Mr. Alfred Tsai Chu, our non-executive Director	450,300	674,415	674,415	674,415	674,415	674,415	708,669	708,669	1.83%	[REDACTED]
Starlite Investment Group NV LLC ⁽³⁾	Starlite Investment Group LLC and Starlite Group NV LLC are companies controlled by Mr. Alfred Tsai Chu, our non-executive Director	-	-	-	-	-	76,927	589,737	589,737	1.52%	[REDACTED]

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholder	Relationship with our Group	Series A	Series B	Series C	Series C-1	Series D	Series E and transfers	Series F, share conversion, surrender and transfers	Total number of Shares as of the Latest Practicable Date	Shareholding in our Company as of the Latest Practicable Date ⁽¹⁾	Shareholding in our Company upon completion of the Capitalization Issue and the [REDACTED]
Guang Ouyang ⁽⁴⁾	Our Pre-[REDACTED] Investor, an independent third party	225,150	337,207	337,207	337,207	337,207	337,207	337,207	337,207	0.87%	[REDACTED]
Robert Shih-Chiu Wu ⁽⁵⁾	Our former employee	22,515	22,515	22,515	22,515	22,515	22,515	22,515	22,515	0.06%	[REDACTED]
Michael Donoughe ⁽⁶⁾	Our former employee	45,030	141,798	141,798	141,798	141,798	201,798	201,798	201,798	0.52%	[REDACTED]
Wei Zhou	Our former Board observer	-	20,000	20,000	20,000	20,000	20,000	20,000	20,000	0.05%	[REDACTED]
Amy Wessner	Our former employee and our current consultant	-	3,000	3,000	3,000	3,000	3,000	3,000	3,000	0.01%	[REDACTED]
Power Sino Development Limited ⁽⁷⁾	Our Pre-[REDACTED] Investor, which is wholly owned by KPCB China Fund, L.P. and KPCB China Founders Fund, L.P.	-	-	-	-	-	10,643,697	10,643,697	10,643,697	27.52%	[REDACTED]

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholder	Relationship with our Group	Series A	Series B	Series C	Series C-1	Series D	Series E and transfers	Series F, share conversion, surrender and transfers	Total number of Shares as of the Latest Practicable Date	Shareholding in our Company as of the Latest Practicable Date ⁽¹⁾	Shareholding in our Company upon completion of the Capitalization Issue and the [REDACTED]
KPCB China Fund, L.P. ⁽⁷⁾	Its general partner is KPCB China Associates, Ltd.	-	1,643,562	7,720,907	7,720,907	8,660,503	-	-	-	-	-
KPCB China Founders Fund, L.P. ⁽⁷⁾	Its general partner is KPCB China Associates, Ltd.	-	123,329	579,357	579,357	649,862	-	-	-	-	-
Mingly China Growth Fund, L.P.	Our Pre-[REDACTED] Investor, an independent third party	-	428,856	428,856	428,856	428,856	428,856	428,856	428,856	1.11%	[REDACTED]
John Hovell	Our former employee	-	-	11,666	11,666	11,666	11,666	11,666	11,666	0.03%	[REDACTED]
Brian Dillard	Our former employee	-	-	270,833	270,833	270,833	270,833	270,833	270,833	0.70%	[REDACTED]
China Electronics Corporation Huada International Ltd.	Our Pre-[REDACTED] Investor, an independent third party.	-	-	-	909,091	909,091	1,016,789	1,016,789	1,016,789	2.63%	[REDACTED]

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholder	Relationship with our Group	Series A	Series B	Series C	Series C-1	Series D	Series E and transfers	Series F, share conversion, surrender and transfers	Total number of Shares as of the Latest Practicable Date	Shareholding in our Company as of the Latest Practicable Date ⁽¹⁾	Shareholding in our Company upon completion of the Capitalization Issue and the [REDACTED]
Jimmy Lee	Our Pre-[REDACTED] Investor, an independent third party	-	-	-	39,394	39,394	39,394	39,394	39,394	0.10%	[REDACTED]
Zhesheng Li	Our former employee	-	-	-	95,833	95,833	95,833	95,833	95,833	0.25%	[REDACTED]
Shih-Hao Wang	Our former employee	-	-	-	38,958	38,958	38,958	38,958	38,958	0.10%	[REDACTED]
SVIC No. 15 New Technology Business Investment LLP ⁽⁸⁾	Our Pre-[REDACTED] Investor, an independent third party. It is managed by Samsung Venture Investment Corporation	-	-	-	-	1,515,152	1,053,615	1,053,615	1,053,615	2.72%	[REDACTED]
SVIC No. 25 New Technology Business Investment LLP ⁽³⁾⁽⁹⁾	An independent third party. It is managed by Samsung Venture Investment Corporation	-	-	-	505,050	-	351,204	-	-	-	-

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholder	Relationship with our Group	Series A	Series B	Series C	Series C-1	Series D	Series E and transfers	Series F, share conversion, surrender and transfers	Total number of Shares as of the Latest Practicable Date	Shareholding in our Company as of the Latest Practicable Date ⁽¹⁾	Shareholding in our Company upon completion of the Capitalization Issue and the [REDACTED]
SVIC No. 24 New Technology Business Investment LLP	Our Pre-[REDACTED] Investor, an independent third party. It is managed by Samsung Venture Investment Corporation	-	-	-	-	-	163,855	163,855	163,855	0.42%	[REDACTED]
SVIC No. 30 New Technology Business Investment LLP ⁽³⁾	An independent third party. It is managed by Samsung Venture Investment Corporation	-	-	-	-	-	54,618	-	-	-	-
Sycamore Capital Holdings Limited	Our Pre-[REDACTED] Investor, an independent third party	-	-	-	-	252,526	252,526	252,526	252,526	0.65%	[REDACTED]
Grandview Mountain Investments Limited ⁽¹⁰⁾	An independent third party	-	-	-	-	252,525	252,525	-	-	-	-

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholder	Relationship with our Group	Series A	Series B	Series C	Series C-1	Series D	Series E and transfers	Series F, share conversion, surrender and transfers	Total number of Shares as of the Latest Practicable Date	Shareholding in our Company as of the Latest Practicable Date ⁽¹⁾	Shareholding in our Company upon completion of the Capitalization Issue and the [REDACTED]
PH Holdings Limited ⁽¹⁰⁾	Our Pre-[REDACTED] Investor, an independent third party	-	-	-	-	-	-	252,525	252,525	0.65%	[REDACTED]
Manjushri Global Holding Limited ⁽¹¹⁾	The holding vehicle for the administration of the Employee's Trust	-	-	-	-	-	2,064,500	1,914,500	1,914,500	4.95%	[REDACTED]
Mahayana	Our Pre-[REDACTED] Investor, Dr. Zhou is one of the two directors of Mahayana. It is beneficially owned as to 13.4% by Agama Pole Holding Limited (a company wholly owned by Dr. Zhou)	-	-	-	-	-	4,067,574	5,412,489	5,067,903	13.10%	[REDACTED]

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholder	Relationship with our Group	Series A	Series B	Series C	Series C-1	Series D	Series E and transfers	Series F, share conversion, surrender and transfers	Total number of Shares as of the Latest Practicable Date	Shareholding in our Company as of the Latest Practicable Date ⁽¹⁾	Shareholding in our Company upon completion of the Capitalization Issue and the [REDACTED]
SBCVC Fund V Pte Ltd	Our Pre-[REDACTED] Investor, an independent third party	-	-	-	-	-	1,688,803	1,688,803	1,688,803	4.37%	[REDACTED]
Southern Cross REVC Trusco Pty Limited	Our Pre-[REDACTED] Investor, an independent third party	-	-	-	-	-	1,262,626	1,262,626	1,262,626	3.26%	[REDACTED]
TotalEnergies Ventures International, S.A.S.	Our Pre-[REDACTED] Investor, an independent third party	-	-	-	-	-	369,250	369,250	369,250	0.95%	[REDACTED]
Yang Wang	Our executive Director and co-president	-	-	-	-	-	289,000	289,000	289,000	0.75%	[REDACTED]
KB IP Investment Fund ⁽⁸⁾	Our Pre-[REDACTED] Investor, an independent third party. Its general partner is KB Investment Co., Ltd.	-	-	-	-	-	50,000	50,000	50,000	0.13%	[REDACTED]

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholder	Relationship with our Group	Series A	Series B	Series C	Series C-1	Series D	Series E and transfers	Series F, share conversion, surrender and transfers	Total number of Shares as of the Latest Practicable Date	Shareholding in our Company as of the Latest Practicable Date ⁽¹⁾	Shareholding in our Company upon completion of the Capitalization Issue and the [REDACTED]
KB Pre IPO Secondary Venture Fund I ⁽⁸⁾⁽¹²⁾	An independent third party. Its general partner is KB Investment Co., Ltd.	-	-	-	-	-	90,000	-	-	-	-
KB Pre IPO Secondary Venture Fund II ⁽⁸⁾⁽¹²⁾	An independent third party. Its general partner is KB Investment Co., Ltd.	-	-	-	-	-	120,000	-	-	-	-
KB Tail End Fund ⁽¹³⁾	Our Pre-[REDACTED] Investor, an independent third party. Its general partner is KB Investment Co., Ltd.	-	-	-	-	-	-	210,000	210,000	0.54%	[REDACTED]
Ieng Kit Leung	Our Chief Financial Officer	-	-	-	-	-	256,000	256,000	256,000	0.66%	[REDACTED]

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholder	Relationship with our Group	Series A	Series B	Series C	Series C-1	Series D	Series E and transfers	Series F, share conversion, surrender and transfers	Total number of Shares as of the Latest Practicable Date	Shareholding in our Company as of the Latest Practicable Date ⁽¹⁾	Shareholding in our Company upon completion of the Capitalization Issue and the [REDACTED]
Mirae Asset Good Company Secondary Fund #18-1 ⁽⁹⁾	Our Pre-[REDACTED] Investor, an independent third party	-	-	-	-	-	153,846	153,846	153,846	0.40%	[REDACTED]
SJ New Challenge Fund ⁽⁸⁾	Our Pre-[REDACTED] Investor, an independent third party	-	-	-	-	-	123,075	123,075	123,075	0.32%	[REDACTED]
GU Semiconductor Venture Fund ⁽⁸⁾	Our Pre-[REDACTED] Investor, an independent third party	-	-	-	-	-	78,462	78,462	78,462	0.20%	[REDACTED]
EASE Fortune International Limited	Our Pre-[REDACTED] Investor, an independent third party	-	-	-	-	-	-	1,530,414	1,530,414	3.96%	[REDACTED]

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholder	Relationship with our Group	Series A	Series B	Series C	Series C-1	Series D	Series E and transfers	Series F, share conversion, surrender and transfers	Total number of Shares as of the Latest Practicable Date	Shareholding in our Company as of the Latest Practicable Date ⁽¹⁾	Shareholding in our Company upon completion of the Capitalization Issue and the [REDACTED]
Ally Bridge Integrity Limited	Our Pre-[REDACTED] Investor, an independent third party. Ally Bridge Integrity Limited is one of the limited partners of Xinchen Fund I.	-	-	-	-	-	-	338,982	338,982	0.88%	[REDACTED]
Xinchen Fund I	Our Pre-[REDACTED] Investor, an independent third party. Its general partner is Xinchen Capital Management, Ltd.	-	-	-	-	-	-	564,971	564,971	1.46%	[REDACTED]
Xinchen Fund II	Our Pre-[REDACTED] Investor, an independent third party. Its general partner is Xinchen Capital Management, Ltd.	-	-	-	-	-	-	21,468	21,468	0.06%	[REDACTED]
SAIC Technologies Fund II, LLC	Our Pre-[REDACTED] Investor, an independent third party	-	-	-	-	-	-	169,491	169,491	0.44%	[REDACTED]

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholder	Relationship with our Group	Series A	Series B	Series C	Series C-1	Series D	Series E and transfers	Series F, share conversion, surrender and transfers	Total number of Shares as of the Latest Practicable Date	Shareholding in our Company as of the Latest Practicable Date ⁽¹⁾	Shareholding in our Company upon completion of the Capitalization Issue and the [REDACTED]
Sky Green Enterprises Limited	Our Pre-[REDACTED] Investor, a company wholly owned by Mr. Simon Meng, spouse of Ms. Tina Lin-chi Ju, our non-executive Director	-	-	-	-	-	-	112,994	112,994	0.29%	[REDACTED]
Paul Maynard Beach III	Our co-president	-	-	-	-	-	-	5,650	5,650	0.01%	[REDACTED]
NXP B.V.	Our supplier, an independent third party	-	-	-	-	-	-	169,491	169,491	0.44%	[REDACTED]
John M. Guo	Our Pre-[REDACTED] Investor, an independent third party	-	-	-	-	-	-	2,689	2,689	0.01%	[REDACTED]
Yaron Alexandrovich	Our former employee	-	-	-	-	-	-	-	833	<0.01%	[REDACTED]
Total		6,754,503	11,339,334	17,944,206	19,077,482	22,612,836	34,842,789	39,095,096	38,672,723	100.00%	100.00%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) Based on the assumption that each of the Preferred Shares will be converted into one Share upon the [REDACTED] becoming unconditional.
- (2) As of the Latest Practicable Date, Dr. Zhou held Shares in our Company through Agama Pole Holding Limited, Dirgha Peak Holding Company and Ananda Energy Holdings Limited (“Ananda”), each a company wholly owned by him. On June 13, 2023, Dr. Zhou transferred 197,143 ordinary shares and 361,823 senior ordinary shares to Agama Pole Holding Limited. On July 3, 2023, Dr. Zhou transferred 3,000,000 ordinary shares to Dirgha Peak Holding Limited.
- (3) On December 31, 2020, Starlite Investment Group LLC transferred 337,208 ordinary shares to Starlite Investment Group NV LLC. On May 19, 2021, SVIC No. 25 New Technology Business Investment LLP transferred 175,602 ordinary shares to Starlite Investment Group LLC and 175,602 ordinary shares to Starlite Investment Group NV LLC. On the same day, SVIC No. 30 New Technology Business Investment LLP transferred 54,618 ordinary shares to Starlite Investment Group LLC.
- (4) On June 13, 2023, Mr. Guang Ouyang transferred 337,207 senior ordinary shares to Tgyal Investment Holdings Limited, a company directly wholly owned by him.
- (5) To the best knowledge of our Directors, Mr. Robert Shih-Chiu Wu passed away in September 2020. According to the will of Mr. Wu, his family member, or their family trust shall inherit the 22,515 senior ordinary shares owned by Mr. Wu. As of the Latest Practicable Date, the relevant probate procedures of were in progress.
- (6) To the best knowledge of our Directors, Mr. Michael Donoughe passed away in July 2022. As of the Latest Practicable Date, Ms. Michele P. Donoughe inherited the 134,357 Shares and 67,441 senior ordinary shares owned by Mr. Donoughe.
- (7) On July 17, 2017, KPCB China Fund, L.P. and KPCB China Founders Fund, L.P. transferred 8,660,503 and 649,862 series C preference shares, respectively, to Power Sino Development Limited.
- (8) On October 30, 2018, SVIC No. 15 New Technology Business Investment LLP transferred 50,000, 90,000, 120,000, 123,075 and 78,462 series D preference shares to KB IP Investment Fund, KB Pre IPO Secondary Venture Fund I, KB Pre IPO Secondary Venture Fund II, SJ New Challenge Fund and GU Semiconductor Venture Fund, respectively.
- (9) On October 30, 2018, SVIC No. 25 New Technology Business Investment LLP transferred 153,846 series D preference shares to Mirae Asset Good Company Secondary Fund #18-1.
- (10) On November 21, 2022, Grandview Mountain Investments Limited transferred 252,525 senior ordinary shares to PH Holdings Limited (formerly known as HKEF One Limited). Grandview Mountain Investments Limited and PH Holdings Limited are under the common ownership of Mr. Wing Hon Cheung.
- (11) On November 29, 2017, 115 employees exercised their share options to subscribe for a total of 2,064,500 shares and transferred their shares to Manjushri Global Holding Limited, the holding vehicle for the administration of the Employee’s Trust on the same day.
- (12) On February 17, 2022, KB Pre IPO Secondary Venture Fund I and KB Pre IPO Secondary Venture Fund II transferred 90,000 and 120,000 senior ordinary shares, respectively, to KB Tail End Fund.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Octillion US

Octillion US was incorporated in California, the United States on October 30, 2009 and was authorized to issue a total number of 1,000 shares with a par value of US\$0.001 per each share, 1,000 of which are issued and credited as fully paid. It has been a wholly-owned subsidiary of our Company since its incorporation.

Octillion India

Octillion India was incorporated in India as a company limited by shares on December 19, 2017 with an authorized share capital of INR12,000,000 divided into 12,000,000 equity shares of INR1 each, 12,000,000 of which are issued and credited as fully paid. Octillion US subscribed for such 12,000,000 equity shares, out of which one equity share is held by Dr. Zhou, as a nominee of Octillion US so as to comply with the minimum requirement of having two shareholders. It has been a wholly-owned subsidiary of Octillion US since its incorporation.

On August 27, 2018, the authorized share capital of Octillion India was increased from INR12,000,000 to INR29,000,000. On March 27, 2019, the authorized share capital of Octillion India was increased from INR29,000,000 to INR46,000,000. On November 6, 2019 the authorized share capital of Octillion India was increased from INR46,000,000 to INR50,000,000.

Octillion Hefei

Octillion Hefei was established in the PRC as a company with limited liability on April 19, 2010. As of the date of its establishment, the registered capital of Octillion Hefei was RMB6.8 million which was wholly owned by our Company.

From June 2011 to September 2012, the registered capital of Octillion Hefei was increased from RMB6.8 million to RMB31.8 million. On January 30, 2014, as part of the streamlining exercise, the registered capital of Octillion Hefei was reduced to approximately RMB30.1 million.

On November 4, 2014, our Company transferred its entire equity interest in Octillion Hefei to SinoEV Changzhou at a consideration of approximately RMB17.5 million which was settled by the subscription of SinoEV Changzhou’s registered capital of equivalent amount by our Company. After the transfer, Octillion Hefei ceased to be a wholly foreign owned enterprise.

On June 13, 2017, SinoEV Changzhou transferred all of its equity interest in Octillion Hefei at a total consideration of approximately RMB30.1 million which was equivalent to the amount of registered capital. After the transfer, Octillion Hefei was held as to approximately 58.85% by Dr. Zhou, 7.89% by Xu Zhang* (張旭) and 33.26% by Urumqi Huaying Tianshan Equity Investment Management Co., Ltd.* (烏魯木齊華盈天山股權投資管理有限公司)

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(“**Huaying Tianshan**”) (the “**VIE Shareholders**”). Concurrently with the equity transfer, Octillion Miyuan entered into a series of VIE arrangements with Octillion Hefei and the VIE Shareholders. These VIE arrangements allowed us to exercise effective control over Octillion Hefei and received substantially all of the economic benefits of Octillion Hefei. We consolidated the financial results of Octillion Hefei and its subsidiaries in our consolidated financial statements.

In preparation for the [REDACTED], our Group underwent a series of onshore corporate reorganization to, among other things, unwind the VIE arrangement. For details, please refer to “— Reorganization” below. On December 2, 2022, the registered capital of Octillion Hefei was increased from RMB30.4 million to RMB157.8 million.

Octillion JV

Octillion JV was established in the PRC as a company with limited liability on February 27, 2017. Since the date of its establishment up to the Latest Practicable Date, the registered capital of Octillion JV was RMB60 million which was owned by as to 50% by Octillion Hefei and 50% by JAC. Octillion JV is our non-wholly owned subsidiary.

Octillion Anqing

Octillion Anqing was established in the PRC as a company with limited liability on November 22, 2019. As of the date of its establishment, the registered capital of Octillion Anqing was RMB5 million which was wholly owned by Octillion JV. On August 22, 2023, the registered capital of Octillion Anqing was increased from RMB5 million to RMB25 million which was wholly owned by Octillion JV.

Octillion Liuzhou

Octillion Liuzhou was established in the PRC as a company with limited liability on June 16, 2021. Since the date of its establishment up to the Latest Practicable Date, the registered capital of Octillion Liuzhou had been RMB30 million which was wholly owned by Octillion Hefei.

DEREGISTRATION OF SUBSIDIARIES

(i) Deregistration of SinoEV Changzhou

SinoEV Changzhou was established in the PRC as a company with limited liability on January 23, 2013. As of the date of its establishment, the registered capital of SinoEV Changzhou was RMB16.4 million which was owned as to approximately 26.83% by our Company, 36.59% by Jiangsu Gaotou Innovations Venture Investment Partnership (Limited Partnership)* (江蘇高投創新價值創業投資合夥企業(有限合夥)), 24.39% by Changzhou Gaotou Venture Investment Co. Ltd.* (常州高投創業投資有限公司) and 12.20% by Changzhou

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Longcheng Yingcai Talents Venture Investment Co., Ltd.* (常州龍城英才創業投資有限公司). Each of Jiangsu Gaotou Innovations Venture Investment L.P., Changzhou Gaotou Venture Investment Co., Ltd. and Changzhou Longcheng Yingcai Talents Venture Investment Co., Ltd. were independent third parties.

From August 2014 to April 2015, the registered capital of SinoEV Changzhou increased from RMB16.4 million to approximately RMB60.53 million. On May 21, 2019, April 29, 2019 and May 26, 2019, Jiangsu Gaotou Innovations Venture Investment L.P., Changzhou Gaotou Venture Investment Co., Ltd. and Changzhou Longcheng Yingcai Talents Venture Investment Co., Ltd. transferred all their equity interest in SinoEV Changzhou to our Company at a consideration of RMB6,000,000, RMB12,200,000 and RMB2,000,000, respectively. Since Jiangsu Gaotou Innovations Venture Investment L.P., Changzhou Gaotou Venture Investment Co., Ltd. and Changzhou Longcheng Yingcai Talents Venture Investment Co., Ltd. also agreed to terminate their rights to convert interest in SinoEV Changzhou to shares in our Company and/or to request redemption, our Company had agreed to pay compensation of approximately US\$2.9 million, US\$5.9 million and US\$1.0 million to Jiangsu Gaotou Innovations Venture Investment L.P., Changzhou Gaotou Venture Investment Co., Ltd. and Changzhou Longcheng Yingcai Talents Venture Investment Co., Ltd., respectively. As of the Latest Practicable Date, the consideration and the compensation were fully settled. After such transfer, SinoEV Changzhou became our wholly owned subsidiary.

As of the time of deregistration, RMB60.5322 million of the registered capital had been contributed by our Company to SinoEV Changzhou. Between its establishment in 2013 to its deregistration in 2021, SinoEV Changzhou performed certain sales function of our Company and had only generated minimal revenue from 2013 to 2017 and had no revenue from 2018 to 2021, as it did not have any substantive active manufacturing operation. The manufacturing business of our Company continued to be carried out through other subsidiaries in Hefei. For the purposes of streamlining our corporate structure, we consolidated the operations to Octillion Hefei and SinoEV Changzhou became completely inactive since December 2017. SinoEV Changzhou was deregistered by way of simplified deregistration procedure on August 12, 2021. SinoEV Changzhou transferred all patents it owned to Octillion Miyuan before its deregistration. As of the Latest Practicable Date, three of those patents were still valid and we consider one of the patents material to our business (for details, please refer to item 21 set out in “Statutory and General Information — A. Further Information about Our Group — 2. Our Material Intellectual Property Rights — (b) Patents” in Appendix IV to this document). We had applied such material patent for the development and manufacturing of our products. Based on the above, the deregistration of SinoEV Changzhou had no material adverse impact on our business operations, prospects and financial position.

In April 2016, Shanghai Taishan Tianyi Venture Capital Partnership (Limited Partnership) (上海泰山天頤創業投資合夥企業(有限合夥)) (“**Shanghai Taishan**”), which is indirectly controlled by one of our Shareholders, TDRH Capital Co. Limited, commenced an arbitration proceeding against SinoEV Changzhou, Dr. Zhou and us (as respondents) in connection with an investment agreement entered into among SinoEV Changzhou, Dr. Zhou, Shanghai Taishan and us in 2015. The investment was intended to be part of our Series D investment. While

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

TDRH Capital Co. Limited wished to participate in the Series D investment, our Company was told that TDRH Capital Co. Limited and its affiliates (including Shanghai Taishan) did not have sufficient offshore funds to subscribe for shares in our Company, Shanghai Taishan as an affiliate of TDRH Capital Co. Limited therefore entered into the investment agreement to subscribe for equity interests in SinoEV Changzhou which was convertible into Series D preference shares of our Company.

Pursuant to the investment agreement, (1) Shanghai Taishan agreed to subscribe for, and SinoEV Changzhou agreed to issue, equity interest that would result in Shanghai Taishan holding approximately 31.1% of SinoEV Changzhou's total equity interest for a consideration of RMB35,670,000; (2) Shanghai Taishan would have the right to convert all of its equity interest in SinoEV Changzhou acquired under the investment agreement into 2,929,293 Series D preference shares of our Company; (3) as of the date of completion of the acquisition by Shanghai Taishan of the equity interest in SinoEV Changzhou under the investment agreement, Shanghai Taishan would be entitled to appoint a director to the board of directors of SinoEV Changzhou; and (4) in the absence of fraud, gross negligence or willful misconduct on the part of the Company, SinoEV Changzhou or Dr. Zhou and if Shanghai Taishan is able to prove that its accumulated losses exceed USD50,000, the amount of damages payable to Shanghai Taishan by the Company, SinoEV Changzhou or Dr. Zhou will be limited to the actual loss incurred by Shanghai Taishan, and the maximum damages shall not exceed the total investment made by Shanghai Taishan in SinoEV Changzhou, plus an additional 10% compound interest per year.

As certain special rights to be granted to Shanghai Taishan under the investment agreement were more favorable than the rights granted to the investors in Series D investment, certain investors in the Series D investment did not agree to Shanghai Taishan's investment in SinoEV Changzhou. As such, the board of directors of SinoEV Changzhou, our Board and our Shareholders had not resolved to approve Shanghai Taishan's investment. Although the conditions relating to board and shareholders approvals had not been satisfied in January 2016, Shanghai Taishan made a payment of RMB35,670,000 to SinoEV Changzhou. In February 2016, SinoEV Changzhou refunded the entire payment plus accrued interest which amounted to RMB35,677,915.80 to Shanghai Taishan without proceeding to completion. Shanghai Taishan then commenced the aforesaid arbitration proceeding at the Shanghai International Economic and Trade Arbitration Commission, requesting SinoEV Changzhou to issue, and Dr. Zhou and us to procure the issuance of, SinoEV Changzhou's equity interest to Shanghai Taishan pursuant to the investment agreement.

The proceedings resulted in an arbitration award made on August 27, 2018 which recognized the absence of approval from shareholders and the board of directors of SinoEV Changzhou which was both a condition precedent under the investment agreement and a requirement under PRC laws and declined to order SinoEV Changzhou's specific performance of the investment agreement by issuing equity interests to Shanghai Taishan, and ordered the respondents to pay Shanghai Taishan's legal costs and the majority of the arbitration fee. The legal costs and arbitration fee which amounted to approximately RMB0.9 million were settled by SinoEV Changzhou in September 2018. Since Shanghai Taishan only requested for specific

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

performance and did not request for any liquidated damages in its arbitration proceedings, liquidated damages was not part of the matters considered by the commission such that no liquidated damages were awarded despite the respondents being found to have breached the investment agreement. Based on the above, and taking into consideration that SinoEV Changzhou has been deregistered and the Series D preference shares could only be allotted to Shanghai Taishan if equity interest in SinoEV Changzhou was actually issued to Shanghai Taishan in the first place, Shanghai Taishan is not entitled to request SinoEV Changzhou or our Company and we are not obligated to issue equity interests in SinoEV Changzhou or Series D preference shares of our Company to them. However, the award confirmed the validity of the investment agreement and noted that the respondents had breached its obligations and Shanghai Taishan may commence another proceeding.

Since the grant of the arbitration award in August 2018, Shanghai Taishan issued several legal letters between March 2019 and April 2024 to us and Dr. Zhou asking for performance of the arbitral award and investment agreement and/or damages for breach of contract. In response to the first letter issued by Shanghai Taishan in March 2019, we sent a reply in March 2019 acknowledging the grant of arbitration award and that we had fulfilled all relevant obligations (being the abovementioned payment of Shanghai Taishan's legal costs and the majority of the arbitration fee) in compliance with the arbitration award. We did not respond to the remaining letters as the requests were repetitive and did not raise any new points. As of the Latest Practicable Date, Shanghai Taishan had never commenced any other arbitration or litigation against the Group or Dr. Zhou in relation thereto. Dr. Zhou has agreed to indemnify our Group for losses arising from this potential dispute, which shall be conditional on and take effect immediately upon the [REDACTED]. As of December 31, 2021, 2022 and 2023 and April 30, 2024, we have recorded a provision balance for potential claim of RMB66.1 million, RMB66.8 million, RMB67.6 million and RMB67.9 million, respectively, based on a weighted average of various possible outcomes in accordance with relevant facts and circumstances and the terms of the investment agreement. Taking into consideration that Shanghai Taishan has not actually claimed against the Group or Dr. Zhou on breach of investment agreement, the significant discretion of the courts or arbitral tribunals in China in determining the amount of damages and the view of the PRC Legal Advisors, our Directors are of the view that reasonable efforts has been made to compute a reasonable and adequate provision as required under IAS 37 – Provisions, contingent liabilities and contingent assets based on currently available information.

Considering that (i) a provision of RMB67.9 million for potential claims/legal proceedings arising from our dispute with Mr. Wang as of April 30, 2024 had been made; (ii) Shanghai Taishan had not commenced any other arbitration or litigation against the Group or Dr. Zhou since 2018; and (iii) Dr. Zhou has agreed to indemnify our Group and could use his Shares to compensate Shanghai Taishan if required without dilution effect on the existing Shareholders and the public Shareholders, our Directors are of the view that the potential dispute will not have any material adverse impact on our Group's business operations and

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

financial position. For further details, see the section headed “Risk Factors — Risks related to our Business and Industry — We may be involved in legal or other proceedings from time to time which may expose us to liabilities, divert our management’s attention and harm our reputation.”

(ii) Deregistration of Octillion Australia

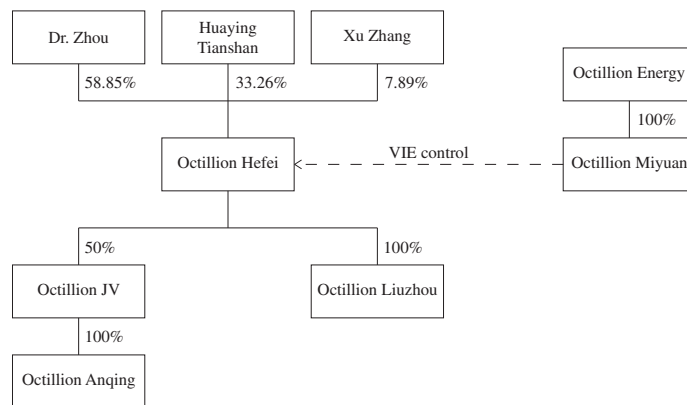
Octillion Australia was registered in Victoria, Australia, as a proprietary company limited by shares on February 12, 2015. As of the date of its registration, Octillion Australia was wholly owned by our Company. On March 23, 2015, SBCVC Fund V Pte Ltd and Southern Cross REVC Trusco Pty Limited were issued and allotted a total of 2,525,252 series A redeemable convertible preferred shares in Octillion Australia at a consideration of US\$5,000,000. Such series A redeemable convertible preferred shares in Octillion Australia were subject to the Put Option. On July 31, 2017, the Put Option was exercised and Octillion Australia became wholly owned by our Company.

Due to change in our Company’s strategy, Octillion Australia was deregistered by way of voluntary dissolution on November 6, 2019.

As confirmed by our Directors and/or concurred by our PRC Legal Advisors (where applicable), save as disclosed above, each of SinoEV Changzhou and Octillion Australia has not been involved in any outstanding material claims, litigation or administrative penalty. Our Directors also confirm that their deregistration had no material impact on our financial performance, financial position and cash flows during the Track Record Period.

REORGANIZATION

The diagram below sets out our onshore corporate structure immediately prior to the Reorganization:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The VIE arrangement was adopted to better enjoy the subsidy available to domestic companies under the PRC policies regarding EV battery pack industry. As the PRC policies change over time such that the VIE arrangement becomes less relevant in terms of the subsidy available to us and the VIE arrangement is not narrowly tailored since our business is not subject to foreign investment prohibition/restriction under PRC laws, in preparation for the [REDACTED], our Group underwent a series of onshore corporate reorganization to rationalize our corporate structure and unwind the VIE arrangement.

Unwinding the VIE Arrangement

Step 1 – Subscription of Equity Interest in Octillion Hefei

On November 30, 2021, the registered capital of Octillion Hefei was increased from approximately RMB30.1 million to RMB30.4 million and the increased registered capital was subscribed by John M. Guo pursuant to the Octillion Hefei Subscription Agreement. The consideration was determined after arm’s length negotiation taking into account the value of total shareholders’ equity of Octillion Hefei as of August 31, 2021 according to a valuation report prepared by an independent professional valuer. After the subscription, Octillion Hefei became a sino-foreign joint venture from a wholly Chinese owned entity.

Step 2 – Release of Equity Pledge

Pursuant to an equity pledge release agreement dated December 22, 2021, the VIE Shareholders, Octillion Miyuan and Octillion Hefei agreed to early terminate the equity pledge agreement dated June 1, 2017 entered into by the VIE Shareholders and Octillion Miyuan and release the pledge of the respective equity interest of the VIE Shareholders in Octillion Hefei thereunder. The VIE Shareholders, Octillion Miyuan and Octillion Hefei also agreed that the VIE Shareholders and Octillion Hefei are no longer obliged to provide any security interest to Octillion Miyuan to guarantee the performance of contractual obligations of Octillion Hefei and the VIE Shareholders under the VIE arrangements.

On December 22, 2021, the deregistration of the pledge of equity interest provided by the VIE Shareholders was completed with the relevant PRC governmental authority.

Step 3 – Acquisition of Octillion Hefei by Octillion Miyuan

On July 28, 2022, as part of the Reorganization, the VIE Shareholders and John M. Guo transferred all of their respective equity interest in Octillion Hefei to Octillion Miyuan for a total consideration of RMB30.4 million. After the transfers, Octillion Hefei became wholly owned by Octillion Miyuan.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRE-[REDACTED] SHARE INCENTIVE SCHEME

We adopted the Pre-[REDACTED] Share Incentive Scheme on November 6, 2009 (which was subsequently amended and restated on June 21, 2023) to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, directors and consultants and to promote the success of our business. Manjushri Global Holding Limited is a company incorporated in BVI by TMF (Cayman) Ltd., the trustee of the Employee’s Trust in July 2017 as the holding vehicle for the administration of the Employee’s Trust and to hold Shares for the benefit of our PRC employees who are under the Pre-[REDACTED] Share Incentive Scheme. The principal terms of the Pre-[REDACTED] Share Incentive Scheme are set out in “Statutory and General Information — D. Share Incentive Schemes — 1. Pre-[REDACTED] Share Incentive Scheme” in Appendix IV to this document.

As of the Latest Practicable Date, the Employee’s Trust held 1,914,500 Shares for the benefit of 111 employees (none of which were our connected persons); Awards to subscribe for 5,500,527 Shares granted to 168 grantees under the Pre-[REDACTED] Share Incentive Scheme were outstanding. For further details regarding the grantees under the Pre-[REDACTED] Share Incentive Scheme, please refer to “Statutory and General Information — D. Share Incentive Schemes — 1. Pre-[REDACTED] Share Incentive Scheme” in Appendix IV to this document.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRE-[REDACTED] INVESTMENTS

A summary of the Pre-[REDACTED] Investments by way of subscription of new shares since our Group’s inception as described above is set out below.

Date of initial shares purchase agreement	Series A investment	Series B investment	Series C investment	Series C-1 investment	Series D investment	Series E investment	Series F investment	Conversion of loan owned to EASE Fortune	Investment by Mr. John M. Guo
March 9, 2010	Series A investment	Series B investment	Series C investment	Series C-1 investment	Series D investment	Series E investment	Series F investment	Conversion of loan owned to EASE Fortune	Investment by Mr. John M. Guo
April 30, 2010	March 9, 2010	August 29, 2011	August 14, 2012	June 26, 2014	January 29, 2015	August 16, 2017	December 28, 2021	May 29, 2019	September 29, 2022
April 30, 2010	March 9, 2010	August 29, 2011	August 18, 2017 ⁽¹⁾	September 2, 2015 ⁽²⁾	April 13, 2015	October 28, 2021 ⁽²⁾	July 8, 2022	May 29, 2019	September 28, 2022
Total number of shares subscribed	2,251,503 Series A preference shares	4,487,474 Series B preference shares	- 6,533,373 Series C preference shares	948,485 Series C-1 preference shares	6,060,606 Series D preference shares	4,731,520 Series E preference shares ⁽³⁾	4,399,618 Series F preference shares	350,000 ordinary shares	2,689 ordinary shares
			- 1,333,332 warrant to Series C preference shares (convertible into 1,333,332 Series C preference shares at an exercise price of US\$1.50 per share)						

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

	Series A investment	Series B investment	Series C investment	Series C-1 investment	Series D investment	Series E investment	Series F investment	Conversion of loan owned to EASE Fortune	Investment by Mr. John M. Guo
Funds raised by our Group (approximation) (US\$'000)	1,000	5,058	- 8,940 (for Series C preference shares) - 2,000 (for exercise of warrants)	1,565	12,000	37,094	77,873	3,500	47.6
Cost per share⁽⁴⁾ (approximation)	US\$0.04441	- US\$0.0991 (for the 998,984 Series B preference shares paid by conversion of promissory notes) - Approximately US\$0.11659 (for the 857,714 Series B preference shares paid by conversion of promissory notes) - Approximately US\$0.11659 (for the remaining Series B preference shares)	- Approximately US\$0.11659 (for the 2,573,140 Series C preference shares paid by conversion of promissory notes) - US\$0.15 (for the 1,000,000 Series C preference shares paid by conversion of promissory notes) - US\$0.15 (for the remaining Series C preference shares)	US\$0.165	US\$0.198	- US\$0.65 (for the 907,895 Series E preference shares paid by conversion of convertible notes) - US\$0.812 (for the remaining Series E preference shares)	US\$1.77	US\$1.00	US\$1.77

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

	Series A investment	Series B investment	Series C investment	Series C-1 investment	Series D investment	Series E investment	Series F investment	Conversion of loan owned to EASE Fortune Guo	Investment by Mr. John M. Guo
Corresponding valuation of our Company (approximation) (US\$'000) ⁽⁵⁾	3,000	13,221	26,916	31,478	44,773	282,923	691,983	394,451	698,226
Discount to the [REDACTED] ⁽⁶⁾	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

- 1,333,332 warrants under Series C investment were exercised on August 7, 2017 and settled on August 18, 2017.
- To the best knowledge of our Directors, one of the Pre-[REDACTED] Investors in each of Series C-1 investment and Series E investment requested for an extended settlement period due to cashflow reasons. In Series E investment, various payment arrangements were therefore adopted as explained in the paragraph headed “Third Party Payments” in this section.
- The total number of Series E preference shares subscribed excludes those surrendered on December 28, 2021 and the 423,206 unpaid shares, which were subsequently repurchased by our Company on June 13, 2023.
- The cost per share is calculated assuming each preference share is converted into one ordinary share and adjusted as a result of the Capitalization Issue.
- The corresponding valuation of our Company is the post-money valuation calculated based on the highest cost per share of that series multiplied by the post-series total issued share capital at the relevant time (assuming none of the outstanding awards granted under the Pre-[REDACTED] Share Incentive Scheme has been issued).
- The discount to the [REDACTED] is calculated based on the assumption that the [REDACTED] is HK\$[REDACTED] per Share, being the [REDACTED] of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED], on the basis that [REDACTED] Shares are expected to be in issue immediately upon completion of the Capitalization Issue and the [REDACTED] (assuming the conversion of the senior ordinary shares into ordinary shares on a one-to-one basis and the [REDACTED] is not exercised and no Shares are allotted and issued under the Share Incentive Schemes).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

A summary of the Pre-[REDACTED] Investments by way of purchasing existing shares from the then existing shareholders of the Company at the relevant time since our Group’s inception as described above is set out below.

Name of Pre-[REDACTED] Investor	Date on which investment was fully settled	Date of share transfer	Number of shares acquired	Total consideration (US\$)	Cost per share ⁽¹⁾ (US\$)	Discount to the [REDACTED] ⁽²⁾
KB IP Investment Fund, KB Pre-IPO Secondary Venture Fund 1st and KB Pre-IPO Secondary Venture Fund II	October 12, 2018	October 30, 2018	260,000 Series D preference shares	1,690,000	US\$0.65	[REDACTED]
SJ New Challenge Fund	October 12, 2018	October 30, 2018	123,075 Series D preference shares	799,987.50	US\$0.65	[REDACTED]
GU Semiconductor Venture Fund	October 12, 2018	October 30, 2018	78,462 Series D preference shares	510,003	US\$0.65	[REDACTED]
Mirae Asset Food Company Secondary Fund #18-1	October 12, 2018	October 30, 2018	153,846 Series D preference shares	999,999	US\$0.65	[REDACTED]
Starlite Investment Group LLC and Starlite Investment Group NV LLC	May 13, 2021	May 19, 2021	405,822 ordinary shares	3,295,274.64	US\$0.812	[REDACTED]

Note:

- The cost per share is calculated assuming each preference share is converted into one ordinary share and adjusted as a result of the Capitalization Issue.
- The discount to the [REDACTED] is calculated based on the assumption that the [REDACTED] is HK\$[REDACTED] per Share, being the [REDACTED] of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED], on the basis that [REDACTED] Shares are expected to be in issue immediately upon completion of the Capitalization Issue and the [REDACTED] (assuming the conversion of the senior ordinary shares into ordinary shares on a one-to-one basis and the [REDACTED] is not exercised and no Shares are allotted and issued under the Share Incentive Schemes).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Further Details of the Pre-[REDACTED] Investments

[Lock-up period] [Each of the Pre-[REDACTED] Investors is subject to a lock-up period of six months from the [REDACTED].]

Use of proceeds As of the Latest Practicable Date, we had fully utilized US\$98.2 million of the proceeds from the Pre-[REDACTED] Investments as our general working capital in our principal business activities.

Strategic benefits At the time of the respective Pre-[REDACTED] Investments, our Directors were of the view that our Group could benefit from the additional capital that would be provided by the Pre-[REDACTED] Investors’ investments in our Group and/or their business connection network, knowledge and experience.

Automatic conversion Each senior ordinary share and each series F preference share shall automatically be converted into one ordinary share (A) immediately prior to the closing of the Qualified [REDACTED], or (B) with the vote or written consent of the holders of at least a majority of the then issued and outstanding senior ordinary shares or the then issued and outstanding series F preference shares, respectively.

“Qualified [REDACTED]” means the closing of an [REDACTED] of the ordinary shares or securities representing such ordinary shares registered under the U.S. Securities Act on an [REDACTED] exchange, managed by a lead [REDACTED] of international standing reasonably acceptable to the holders of at least 75% of the then outstanding Shares with the Company’s [REDACTED] being at least US\$1 billion, and which results in aggregate [REDACTED] to the Company (after deduction for [REDACTED] discounts and expenses related to the [REDACTED]) of at least US\$100 million. The Pre-[REDACTED] Investors and the Company have agreed that the [REDACTED] and [REDACTED] shall constitute a Qualified [REDACTED].

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Special Rights of the Pre-[REDACTED] Investors

The Pre-[REDACTED] Investors were granted certain special rights, all of which (including the following key special rights) will be terminated or cease to be of effect upon the [REDACTED] with the exception of item (g):

- (a) observer rights;
- (b) rights of first offer and first refusal and co-sale rights;
- (c) drag-along and co-sale rights;
- (d) registration rights;
- (e) board veto rights and protective provisions;
- (f) information rights;
- (g) redemption right by the Company which was terminated upon the submission of the first [REDACTED]; and
- (h) director nomination rights.

Save for the above, no other Pre-[REDACTED] Investors were granted any other special rights as of the Latest Practicable Date.

Background of the Pre-[REDACTED] Investors

Power Sino Development Limited and KPCB

Power Sino Development Limited is a company incorporated in Hong Kong, which is wholly owned by KPCB China Fund, L.P. and KPCB China Founders Fund, L.P., which are exempted limited partnerships established under the laws of Cayman Islands and are venture capital funds. KPCB China Fund, L.P. has 76 limited partners (a vast majority of which are endowment funds of tertiary institutions, endowment funds of non-profit organizations, or investment funds) and KPCB China Founders Fund, L.P. has 11 limited partners (who are mainly the management team of KPCB China Associates, Ltd.), which are all independent third parties. None of the limited partners of KPCB China Fund, L.P. held more than 30% interest therein. Apart from LJD China LLC which held 30% interest in KPCB China Founders Fund, L.P., none of the remaining limited partners of KPCB China Founders Fund, L.P. held more than 30% interest therein. The ultimate beneficial owner of LJD China LLC is Mr. L. John Doerr, an engineer, venture capitalist and the chair of Kleiner Perkins. The general partner of KPCB China Fund, L.P. and KPCB China Founders Fund, L.P. is KPCB China Associates, Ltd., which is a Cayman Islands exempted company. The voting power and investment power of Power Sino Development Limited are exercised in accordance with the direction of the board of directors of KPCB China Associates, Ltd. which consists of Ms. Tina Lin-chi Ju, our non-executive Director, Mr. Theodore Schlein, Mr. Brook Byers, Mr. L. John Doerr and Mr. Raymon Lane.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

TDRH Capital Co. Limited

TDRH Capital Co. Limited is a company incorporated in Hong Kong and is wholly owned by Mr. Enqiang Wang, an individual investor. Mr. Wang was our Director from March 2010 to October 2023. Mr. Wang has served as the director of TDRH Capital Co. Limited since 2007.

Starlite Investment Group NV LLC and Starlite Investment Group LLC

Each of Starlite Investment Group NV LLC and Starlite Investment Group LLC is an investment company incorporated in the U.S. and controlled by Mr. Alfred Tsai Chu, our non-executive Director. Starlite Investment Group NV LLC is controlled by Mr. Chu and Starlite Investment Group LLC is 50% owned by Mr. Chu and 50% owned by Mr. Chu’s family members. He has been an independent non-executive director of Vobile Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 3738) since June 2020.

Tgyal Investment Holdings Limited

Tgyal Investment Holdings Limited is a company incorporated in the BVI and is wholly owned by Mr. Guang Ouyang (歐陽光), an individual investor. Mr. Ouyang is a director of Beijing Hyleen Investment Co., Ltd.* (北京海林投資股份有限公司) formerly known as Beijing Hyleen Jinshi Investment Co., Ltd* (北京海林金世投資有限公司), which established China Optoelectronics & Innovative Technology Industry Fund* (中國光電與創新科技產業基金).

Mingly China Growth Fund, L.P.

Mingly China Growth Fund, L.P. is a limited partnership incorporated in Cayman Islands, and is mainly engaged in investments in early stage technology companies and investment management. The general partner of Mingly China Growth Fund, L.P. is Mingly China Growth Partners, L.P. Mingly China Growth Fund, L.P. has six limited partners including Up Focus Limited (25.9%), Medley Partners (offshore) (25.9%) and Sinobase International Trading Limited (25.9%), and none of the remaining three limited partners held more than 30% interest therein.

China Electronics Corporation Huada International Ltd.

China Electronics Corporation Huada International Ltd. (formerly known as China Electronics Corporation Hua Hong International Ltd.) is a company incorporated in the Cayman Islands, which is wholly owned by China Electronics Corporation (“CEC”), a Chinese state-owned company that engages in the production of telecom equipment for both civilian and military purposes.

Jimmy Lee

Mr. Jimmy Lee is an individual investor who worked at China Electronics Corporation Hua Hong International Ltd. Mr. Lee established Xinchen Fund I, a limited partnership incorporated in the Cayman Islands in 2021.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Samsung Investment

Each of SVIC No. 15 New Technology Business Investment LLP and SVIC No. 24 New Technology Business Investment LLP is a professional fund under the Samsung Venture Investment platform and managed by Samsung Venture Investment Corporation, focusing on high-tech fields and emerging industries of venture investment, including mobile devices, mobile health, automotive electronics and semi-conductors. The limited partner of both SVIC No. 15 New Technology Business Investment LLP and SVIC No. 24 New Technology Business Investment LLP is Samsung SDI Co., Ltd., a company listed on the Korea Stock Exchange (stock code: 006400).

PH Holdings Limited

PH Holdings Limited (formerly known as HKEF One Limited) is a company incorporated in the BVI, which is wholly owned by Mr. Wing Hon Cheung (張永漢), an individual investor. Mr. Cheung is currently the founding partner of ZWC Partners Limited, a Chinese venture capital and private equity firm that primarily focuses on investments in companies in the TMT and consumer sectors.

Sycamore Capital Holdings Limited

Sycamore Capital Holdings Limited is a company incorporated in the BVI, which is owned as to 83.6% by Mr. Gang Zheng (鄭剛) and 16.4% by Mr. Michael Gang Xie, both are individual investors.

SBCVC Fund V Pte Ltd

SBCVC Fund V Pte Ltd is a company incorporated in Singapore, which is wholly owned by SBCVC Fund V, L.P., which is an exempted limited partnership established in Cayman Islands and is one of the USD Funds of SB China Capital. Established in 2000, SB China Capital is a leading venture capital and private equity firm. Its investment focuses on high-tech, high growth companies in TMT, clean technology, healthcare, consumer/retail, and advanced manufacturing sectors, investing across all stages of companies. SBCVC Management V, L.P. is the general partner of SBCVC Fund V, L.P., and in turn SBCVC Limited is the general partner of SBCVC Management V, L.P. SBCVC Limited is held as to 90.1% by Star Pioneer Investment Holdings Limited, which is in turn held as to 100% by Lin Ye Song. None of the limited partners of SBCVC Fund V, L.P. held more than 30% interest therein.

As of the Latest Practicable Date, SBCVC Pte Ltd and Southern Cross REVC Trusco Pty Limited had a co-investment arrangement as to an aggregate of 2,525,252 senior ordinary shares of our Company (each 1,262,626 senior ordinary shares of our Company) held by SBCVC Fund V Pte Ltd and Southern Cross REVC Trusco Pty Limited to invest and dispose of their respective investment in our Company at the same time and on the same terms or substantially similar terms. SBCVC Fund V L.P. is a fund under the management of SBCVC Pte Ltd.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Southern Cross REVC Trusco Pty Limited

Southern Cross REVC Trusco Pty Limited is a company registered in Australia, which is wholly owned by Southern Cross Venture Partners Pty. The shares of Southern Cross REVC Trusco Pty Limited are held on trust for REVC Fund Commonwealth Participation Trust, the sole beneficiary of which is the Australian Government.

As of the Latest Practicable Date, SBCVC Pte Ltd and Southern Cross REVC Trusco Pty Limited had a co-investment arrangement as to an aggregate of 2,525,252 senior ordinary shares of our Company (each 1,262,626 senior ordinary shares of our Company) held by SBCVC Fund V Pte Ltd and Southern Cross REVC Trusco Pty Limited to invest and dispose of their respective investment in our Company at the same time and on the same terms or substantially similar terms. SBCVC Fund V L.P. is a fund under the management of SBCVC Pte Ltd.

TotalEnergies Ventures International, S.A.S. ("TotalEnergies")

TotalEnergies is a company incorporated in France and is wholly owned by TotalEnergies SE, a global multi-energy company that produces and markets energies: oil and biofuels, natural gas and green gases, renewables and electricity. TotalEnergies SE is listed on Euronext (Paris, Brussels), the London Stock Exchange and the New York Stock Exchange (stock code: TTE).

KB Investment

KB IP Investment Fund is a limited partnership incorporated in Korea. The general partner of KB IP Investment Fund is KB Investment Co., Ltd., a wholly owned subsidiary of KB Financial Group Inc., a company listed on the New York Stock Exchange (stock code: KB). KB IP Investment Fund's partnership interest was held by KB Investment Co. Ltd. as to 32%. None of the remaining seven limited partners of KB IP Investment Fund held more than 30% interest therein.

KB Tail End Fund is a limited partnership incorporated in Korea, with KB Investment Co., Ltd. as general partner. KB Tail End Fund's partnership interest was held by KB Investment Co. Ltd. and Growth Ladder Fund (Public Finance) as to approximately 56.76% and 36.97%, respectively. The remaining limited partner of KB Tail End Fund did not hold more than 30% interest therein. Growth Ladder Fund (Public Finance) is a trust fund managed by Korea Growth Investment Corporation. Growth Ladder Fund (Public Finance) is held as to 90% by KDB Bank, a Korean government-run bank.

SJ New Challenge Fund

SJ New Challenge Fund is a limited partnership incorporated in Korea. The general partner of SJ New Challenge Fund is SJ Investment Partners Co., Ltd., which is ultimately controlled by Cha Jong Cheol. The limited partner of SJ New Challenge Fund who held 80% interest in it is Korea Venture Investment Corp., a wholly owned subsidiary of Korea SMEs and Startups Agency, a Korean government-funded organization.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

GU Semiconductor Venture Fund

GU Semiconductor Venture Fund is a limited partnership incorporated in Korea. The general partner of GU Semiconductor Venture Fund is GU Equity Partners, a Korean private equity firm which is controlled by Mr. Jung (Jay) Kyoo Yang, Mr. Kang Woon Lee and Mr. Chang Ho Cho. Mr. Yang and Mr. Lee are partners of GU Equity Partners. Mr. Cho is a venture capitalist and has worked at numerous investment firms including Atinum Investment Co., Ltd., Samsung Venture Investment Corporation and McKinsey & Company. The limited partners of GU Semiconductor Venture Fund includes Semiconductor Growth Private Equity Investment Fund (36.63%), the investors of which are Samsung Electronics (66.7%) and SK Hynix (33.3%), which are the two leading semiconductor manufacturing companies in Korea. Samsung Electronics and SK Hynix are companies listed on the Korea Stock Exchange, (stock code: 005930) and (stock code: 000660), respectively; Growth-Ladder (Public Finance) Private Equity Investment Fund (10.98%); Growth-Ladder (Foundation) Private Equity Investment Fund (7.33%); Samhwa Yangheng Co., Ltd. (18.32%), an electronic manufacturing company based in Korea; Q.S.I Co., Ltd. (18.32%), a company listed on KOSDAQ (stock code: 66310); Korea Fund of Funds (1.83%) and Jeewoo Investment Corporation (5.49%), a venture capital firm in Korea.

Mirae Asset Good Company Secondary Fund #18-1

Mirae Asset Good Company Secondary Fund #18-1 is a limited partnership incorporated in Korea. The general partner of Mirae Asset Good Company Secondary Fund #18-1 is Mirae Asset Venture Investment Corporation, a Korean venture capital firm, which is controlled by Mr. Eung-Suk Kim as the chief executive officer of Mirae Asset Venture Investment Corporation. The limited partner of Mirae Asset Good Company Secondary Fund #18-1 is Mirae Asset Securities Co., Ltd., a Korean investment banking and stock brokerage company listed on the Korea Stock Exchange (stock code: 006800).

Mahayana Energy Global Limited (“Mahayana”)

Mahayana is a company incorporated in the BVI with three classes of shares, namely Class I ordinary shares, Class II ordinary shares and Class III ordinary shares, the details of the shareholding information are as follows:

Name of Shareholder	Class of Share	Number of Share	Shareholding Percentage
Mr. Gaofeng Pan ⁽¹⁾	Class I ordinary shares	2,393,889	41.2871%
	Class III ordinary shares	19,250	0.3320%
Shining Value Investment Limited (a company wholly-owned by Mr. Gaofeng Pan)	Class I ordinary shares	400,000	6.8988%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Name of Shareholder	Class of Share	Number of Share	Shareholding Percentage
Essence International Advanced Products and Solutions SPC ⁽²⁾	Class I ordinary shares	738,501	12.7368%
EASE Fortune ⁽³⁾	Class I ordinary shares	350,000	6.0364%
Agama Pole Holding Limited (“Agama”) (a company wholly-owned by Dr. Zhou)	Class I ordinary shares	723,115	12.4715%
	Class II ordinary shares	385,662	6.6515%
Xinyun Capital Fund II, L.P. ⁽⁴⁾	Class III ordinary shares	233,755	4.0315%
America Grand Lake LLC ⁽⁴⁾	Class III ordinary shares	184,729	3.1860%
Sunny Essence Limited ⁽⁵⁾	Class III ordinary shares	246,167	4.2456%
Global VC Plus Fund, L.P. ⁽⁶⁾	Class III ordinary shares	123,083	2.1228%
Total		5,798,151	100.0000%

Notes:

- (1) Mahayana was formed by Mr. Pan as a special purpose vehicle for investing in our Company. Mr. Pan is an individual investor with an investment focus on new energy vehicle industry.
- (2) Essence International Advanced Products and Solutions SPC is an exempted company incorporated and registered as a segregated portfolio company under the laws of the Cayman Islands. Its management shares are held by Essence International Financial Holdings (Hong Kong) Limited. Essence International Financial Holdings (Hong Kong) Limited is ultimately wholly owned by SDIC Capital Co., Ltd. (國投資本股份有限公司) which in turn is owned as to approximately 41.62% by the State Development and Investment Corporation Group Co., Ltd. (國家開發投資集團有限公司) which in turn is wholly owned by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會). None of the remaining shareholders of SDIC Capital Co., Ltd. hold more than 20% equity interest in SDIC Capital Co., Ltd.. SDIC Capital Co., Ltd. is a company listed on the Shanghai Stock Exchange (stock code: 600061) and a financial holding platform that has business licences for securities, trust, fund futures and insurance, etc. The wholly-owned subsidiary of SDIC Capital Co., Ltd., namely Sinotex Securities Co., Ltd. (國投證券股份有限公司) (formerly known as Essence Securities Co., Ltd. (安信證券股份有限公司)) was the pre-listing tutoring institution of the Contemplated PRC Listing as detailed in the paragraph headed “Previous Listing Plans” below.
- (3) For details of the background of EASE Fortune, please refer to the paragraph headed “EASE Fortune” below.
- (4) Xinyun Capital Fund II, L.P. is an exempted limited partnership registered in the Cayman Islands for the primary purpose of making investments in the Company. The general partner of Xinyun Capital Fund II, L.P. is Xinchen Capital Management, Ltd., an exempted company registered in the Cayman Islands. For details of the background of Xinchen Capital Management, Ltd., please refer to the paragraph headed “Xinchen Capital Fund, L.P. (“Xinchen Fund I”) and Xinchen Capital Fund II, L.P. (“Xinchen Fund II”)” below. The sole limited partner of Xinyun Capital Fund II, L.P. is Jimmy Lee, a Pre-[REDACTED] Investor. For details of his background, please refer to the paragraph headed “Jimmy Lee” above.

America Grand Lake LLC is a limited liability company incorporated in the US and is beneficially owned by Fu Zheng (鄭賦) and Xinchen Capital Management, Ltd.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (5) Sunny Essence Limited is a company incorporated in the Republic of Seychelles and is wholly-owned by Ms. Longyu Pan (潘隆玉). Ms. Longyu Pan is an individual investor with more than 10 years of investment experience including being an investor of Qi An Xin Technology Group Inc. Ltd. (奇安信科技集團股份有限公司), a PRC company whose shares are listed on the Shanghai Stock Exchange (stock code: 688561).
- (6) Global VC Plus Fund, L.P. is a limited partnership incorporated in the Cayman Islands and its general partner is Starlite Capital Management Limited, a company managed by YiMei Capital Management. YiMei Capital Management is an asset management firm in the PRC that focuses on making investments in advanced manufacturing, TMT, healthcare and consumer sectors. YiMei Capital Management is owned as to 1% by YiMei (Shanghai) Investment Consulting Limited Company (熠美(上海)投資諮詢有限公司) as a general partner and 99% by Tianjin Yifeng Economic Information Consulting Partnership (Limited Partnership) (天津熠豐經濟信息諮詢合夥企業(有限合夥)) as a limited partner. YiMei (Shanghai) Investment Consulting Limited Company is ultimately wholly owned by Gang Ye (葉剛). Gang Ye is an experienced individual investor including being an investor of Wuxi Lead Intelligent Equipment Co., Ltd. (無錫先導智能裝備股份有限公司), a PRC company whose shares are listed on the Shenzhen Stock Exchange (stock code: 300450). Tianjin Yifeng Economic Information Consulting Partnership (Limited Partnership) is owned as to 90% by Ms. Longyu Pan as a general partner and 10% by Jinghua Weng (翁菁華) as a limited partner. Jinghua Weng has been with YiMei Capital Management since 2011 and is their head of compliance. None of the limited partners of Global VC Plus Fund, L.P. held more than 30% interests therein.
- (7) Save as disclosed above, to the best knowledge of our Directors after due and reasonable inquiry, Mahayana’s shareholders and their respective ultimate beneficial owners did not have any past or present relationship (including, without limitation, family, business, financing, employment or otherwise) with our Company and subsidiaries, their respective shareholders and directors, senior management or any of their respective associates.

Save that consent from holders of Class III ordinary shares in Mahayana are required for certain amendments in the memorandum and articles of association and transfer of shares by other shareholders of Mahayana, holders of all different classes of shares enjoy the same voting rights and economic rights pursuant to the articles of association of Mahayana. With respect to the Class II ordinary shares in Mahayana, since the Class II ordinary shares were issued to Dr. Zhou to enable him to maintain his voting rights in Mahayana and were not intended to carry any economic rights, all dividend and distribution rights to Class II ordinary shares have been waived by Dr. Zhou through a dividend waiver deed executed by Agama waiving all rights to dividends or distributions declared or paid (or to be declared or paid) by our Company or the Board with respect to its Class II ordinary shares with effect from its issue. Therefore, for the purposes of calculating the economic interest in Mahayana, the Class II ordinary shares shall be ignored.

A provisional charging order over 2,393,889 Class I ordinary shares and 19,250 Class III ordinary shares owned by Mr. Pan (but excluding 400,000 Class I ordinary shares held by Shining Value Investment Limited) was granted on June 21, 2023 pursuant to a court application made by Essence International Advanced Products and Solutions SPC acting on behalf of Essence Sinoev Fund SP (“Essence”) and a final charging order hearing has been adjourned to a date not before April 30, 2024. Essence International Advanced Products and Solutions SPC is an exempted company incorporated and registered as a segregated portfolio company under the laws of the Cayman Islands. The charging order was applied for by Essence as part of Essence’s effort to enforce an arbitration award made under the 2018 HKIAC Administered Arbitration Rules against Mr. Pan in 2022. The arbitration award relates to a dispute on a loan agreement between Mr. Pan (as borrower) and Essence (as lender) in respect of a loan in the principal amount of US\$8 million pursuant to which the loan was part of the

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Third Party Payments used to fund Mr. Pan’s commitment to contribute capital to Mahayana to facilitate Mahayana’s subscription in our Company’s Series E investment. Mr. Pan, Dr. Zhou, Essence and Mahayana entered into a share purchase and shareholders agreement and Dr. Zhou and Essence entered into an undertaking as part of their Series E investment in our Company via Mahayana. A final charging order, if made, is effectively security granted by the Court to elevate Essence from the position of being an unsecured creditor to a secured creditor, similar to having obtained a share mortgage pursuant to a contract. From then on Essence would be able to take further steps to enforce the security, including a further application to the Court for an order for the subject shares to be sold, or for a receiver to be appointed over those shares. At the moment there is no indication that these further steps would be taken by Essence, and if so when. The making of a charging order therefore does not constitute a change in the ownership of the subject shares.

Dr. Zhou is our executive Director, chairman of the Board and chief executive officer. For details of his background, please refer to the section headed “Directors and Senior Management — Board of Directors” of this document. In order to maintain some management control over the investment platform, Dr. Zhou decided to also invest in our Company through Mahayana, where he is also one of the two directors, the other being Mr. Pan. By having shareholding interest, voting rights and a board seat in Mahayana, Dr. Zhou has some form of control over the shareholding structure of Mahayana and hence the indirect stakeholders of the Company via Mahayana.

Mr. Gaofeng Pan is an individual investor. Mr. Pan has been the chairman of Boost Biosciences Inc. since 2015. He obtained a bachelor’s degree in chemistry from Peking University and a master’s degree in science from University of Minnesota.

Ease Fortune

Ease Fortune is a company incorporated in the BVI and wholly owned by the Ampersand Trust reg., a trust enterprise established by Dr. Wilfried Hoop.

Ally Bridge Intergrity1 Limited

Ally Bridge Intergrity1 Limited is a company incorporated in the BVI and wholly owned by Mr. Jianzhong Guan (管建忠) and Xincheng Capital Management, Ltd. (whose background is set out below). Mr. Guan has over 20 years of experience in entrepreneurship and over 10 years of experience in investment and has invested in over 10 enterprises apart from our Company. He is the ultimate beneficial owner of China Sanjiang Fine Chemicals Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 2198).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Xinchen Capital Fund, L.P. (“Xinchen Fund I”) and Xinchen Capital Fund II, L.P. (“Xinchen Fund II”)

Xinchen Fund I is an exempted limited partnership registered in the Cayman Islands for the primary purpose of making investments in the Company. The general partner of Xinchen Fund I is Xinchen Capital Management, Ltd., which is owned as to 50% by Mr. Jimmy Lee (whose background is set out above) and 50% by Miracle-Mars Capital Management Ltd., a company wholly owned by Ms. Xia Yuan (袁霞). Ms. Yuan worked at KPMG Huazhen LLP before joining Xinchen Capital Management, Ltd. and has been a member of the Chinese Institute of Certified Public Accountants since 2007. The limited partners of Xinchen Fund I are Ally Bridge Intergrity1 Limited, details of which are stated in the paragraph above, and Mr. Quanping Wang (王泉平), holding 40% and 60% interest in Xinchen Fund I, respectively. Mr. Wang is the chairman of Zhejiang Mabaoshi Apparels Co., Ltd. (浙江馬寶獅服飾股份有限公司) and a director of Zhejiang Pinghu Rural Commercial Bank Company Limited (浙江平湖農村商業銀行股份有限公司).

Xinchen Fund II is an exempted limited partnership registered in the Cayman Islands for the primary purpose of making investments in the Company. The general partner of Xinchen Fund II is Xinchen Capital Management, Ltd. (whose background is set out above). The limited partner of Xinchen Fund II is Centripetal Force Management, Ltd., a business company incorporated in the BVI that is owned by Ms. Wai Yee Louisa Kiang (姜慧儀) and PrimPower Capital Management, Ltd., which is in turn owned by Mr. Jin Guo (郭晉). Mr. Guo has over 15 years of experience in investing in integrated circuit and electronic industries.

SAIC Technologies Fund II, LLC

SAIC Technologies Fund II, LLC is a limited liability company established in the U.S. and is beneficially owned by SAIC Motor Corporation Limited, a Chinese state-owned multinational automotive design and manufacturing company listed on the Shanghai Stock Exchange (stock code: 600104).

Sky Green Enterprises Limited

Sky Green Enterprises Limited is incorporated in the BVI as a BVI business company and is wholly owned by Mr. Simon Meng (孟生). Mr. Meng is the spouse of Ms. Tina Lin-chi Ju, our non-executive Director. Mr. Meng is a member of the International Advisory Board of the Shanghai Symphony Orchestra and an independent non-executive director of MGM China Holdings Limited, a company listed on the Stock Exchange (stock code: 2282). He is an international partner at King & Wood Mallesons, Shanghai and is registered as a foreign lawyer in Hong Kong.

Paul Maynard Beach III

Mr. Paul Maynard Beach III is a member of our senior management. For details of his background, please refer to the section headed “Directors and Senior Management — Senior Management” in this document.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

John M. Guo

Mr. John M. Guo is an individual investor. He is a managing director of SB China Capital.

NXP B.V.

NXP B.V. is a limited liability company incorporated in Netherlands, a wholly-owned subsidiary of NXP Semiconductors N.V. (“NXP”), a Dutch public company with limited liability and whose shares are traded on NASDAQ (ticker symbol: NXPI). NXP is a global semiconductor company and a long-standing supplier in the industry, with over 60 years of innovation and operating history.

To the best of our knowledge, information and belief, save as disclosed above and the Pre-[REDACTED] Investments as described in this section, each of the Pre-[REDACTED] Investors and their respective ultimate beneficial owners had no other relationship with and was a party independent of our Group and/or connected persons as of the Latest Practicable Date.

[REDACTED]

As (i) Dr. Zhou, Mr. Yang Wang and Mr. Alfred Tsai Chu are our Directors; (ii) as Mr. Simon Meng is the spouse of Ms. Tina Lin-chi Ju, our non-executive Director; (iii) as Mr. Paul Maynard Beach III and Mr. Ieng Kit Leung are directors of our subsidiaries; and (iv) as Power Sino Development Limited will be our substantial shareholder upon completion of the Capitalization Issue and the [REDACTED], each of them is therefore our core connected person. As such, the shareholding of (i) the three companies controlled by Dr. Zhou (i.e. Dirgha Peak Holding Limited, Agama Pole Holding Limited and Anada); (ii) Mr. Yang Wang; (iii) the two companies controlled by Mr. Alfred Tsai Chu (i.e. Starlite Investment Group LLC and Starlite Investment Group NV LLC); (iv) the company controlled by the spouse of Ms. Tina Lin-chi Ju (i.e. Sky Green Enterprises Limited); (v) Mr. Paul Maynard Beach III; (vi) Mr. Ieng Kit Leung; (vii) Power Sino Development Limited; and (viii) Mahayana in our Company, representing an aggregate of approximately [REDACTED] of the total issued Shares upon completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are allotted and issued under the Share Incentive Schemes), will not be counted as part of the [REDACTED]. As a result, [REDACTED] Shares, representing approximately [REDACTED] of the total issued Shares upon completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are allotted and issued under the Share Incentive Schemes), will be counted as part of the [REDACTED].

Save as disclosed above, none of the remaining existing Shareholders is a core connected person of our Company and all the Shares held by the remaining existing Shareholders will count towards the [REDACTED].

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Confirmation of the Joint Sponsors

The Joint Sponsors are of the view that the Pre-[REDACTED] Investments as described above are in compliance with the guidance in chapter 4.2 of the Guide for New Listing Applicants issued by the Hong Kong Stock Exchange.

THIRD PARTY PAYMENTS

Certain Series E and Series F investors (the “**Series E/F Relevant Investors**”) settled their Pre-[REDACTED] Investment payments with the Company through certain third party payors (the “**Series E/F Third Party Payors**”), which in aggregate amounted to US\$86.4 million (the “**Series E/F Third Party Payments**”). Amongst the Series E/F Third Party Payors, we have not been able to contact four Series E/F Third Party Payors (the “**Series E/F Uncontactable Third Party Payors**”) who in aggregate paid US\$3.3 million on behalf of two Series E/F Relevant Investors, namely Mahayana and Dr. Zhou:

Investors	Subscription amount actually paid	
	Series E Investment	Series F Investment
	(US\$ million)	
<i>Investors involved in Series E/F Third Party Payments</i>		
Involving Series E/F Third Party Payors who are contactable		
(a) Related Series E/F Third Party Payors		
– Mahayana	15.9	–
– TotalEnergies	3.0	–
– Xinchun Fund I	–	10.0
– Xinchun Fund II	–	0.4
– EASE Fortune	–	11.0
(b) Series E/F Third Party Payors involving loan arrangements		
– Mahayana	11.5	30.0
– Dr. Zhou	0.2	–
– Ananda	1.1	–
Involving Series E/F Uncontactable Third Party Payors		
– Mahayana	2.8	–
– Dr. Zhou	0.5	–
	35.0	51.4
<i>Investors not involved in Series E/F Third Party Payments</i>		
	5.4	16.6
Total:	40.4	68.0

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In addition, apart from the Series E/F Third Party Payments, certain investors (“**Other Investors**”) settled their Pre-[REDACTED] Investment payments with the Company through certain third party payors (the “**Other Third Party Payors**”), which in aggregate amounted to US\$1.3 million (the “**Other Third Party Payments**”). The Series E/F Investors and the Other Investors shall together be referred to as the Relevant Investors. The Series E/F Third Party Payors and the Other Third Party Payors shall together be referred to as the Third Party Payors. The Series E/F Third Party Payments and the Other Third Party Payments shall together be referred to as the Third Party Payments.

Reasons for the Third Party Payments

The Series E/F Third Party Payments were considered necessary by the Series E/F Relevant Investors due to the following reasons: (i) certain investors did not have their own bank accounts during the material time and therefore settled the investment payments via their shareholders, limited partners and/or officers; (ii) one investor with its parent company listed in the U.S. settled the investment payment through a related treasury company; (iii) one investor settled the investment payment by waiving a loan due from the Company, which was first funded by the director of such investor; and (iv) due to insufficient offshore U.S. dollar money, certain investors procured loans from their respective acquaintances who settled the investment payments on behalf of them.

For the Series E/F Uncontactable Third Party Payments, each of Mahayana and Dr. Zhou approached a common acquaintance (“**Intermediary A**”) to settle the investment payments on behalf of them due to their lack of sufficient offshore U.S. dollar money at the material time. Intermediary A provided loans to each of Mr. Gaofeng Pan (a founding shareholder of Mahayana) and Dr. Zhou for such purpose, while funds of these two loans were in turn provided by a separate acquaintance of the Intermediary (“**Intermediary B**,” together with Intermediary A, the “**Intermediaries**”) via another separate loan arrangement between the Intermediaries. Intermediary B ultimately arranged the four Series E/F Uncontactable Third Party Payors to settle the investment payments on behalf of Mahayana and Dr. Zhou. None of Mr. Gaofeng Pan and, Dr. Zhou had ever had direct contact with or were aware of the existence of Intermediary B and the Series E/F Uncontactable Third Party Payors.

For the Other Third Party Payments, we have been able to contact all of the Other Third Party Payors who are current or former employees of our Company, or the spouse of our Chairman, or a subsidiary of our Company or a commonly controlled entity of a Series D investor. The Other Investors made the payments through the Other Third Party Payors out of convenience and as they did not have sufficient offshore US dollars and therefore procured the above persons to settle the investment payments on behalf of them.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Although we did not agree in advance with the Relevant Investors regarding the settlements of the respective subscription money by the Third Party Payors, we did not reject the Third Party Payments at the relevant time because, among other things, we were (i) able to reconcile the amount of the Third Party Payments with the investment amount which ought to be received; (ii) not involved in arranging the Third Party Payments and considered at the relevant time these were merely procedural matters due to the lack of in-depth knowledge of money-laundering risk; and (iii) not in a position to question or dictate the treasury policy of the Relevant Investors due to the lack of indication of any suspicious illegal activity.

Accounting Treatment of the Series E/F Uncontactable Third Party Payments

Since there is no definitive evidence to substantiate that the Series E/F Uncontactable Third Party Payments were made on behalf of Mahayana and Dr. Zhou and that we were not able to get into contact with the Series E/F Uncontactable Third Party Payors, we did not consider the subscription money paid by the Series E/F Uncontactable Third Party Payors as equity capital received, and instead has recorded in our balance sheet (i) an "other payable to the Series E/F Uncontactable Third Party Payors" for the investment payments paid by them; and (ii) an "other receivable due from Mahayana and Dr. Zhou."

Actions Taken by the Group

Except for the Series E/F Uncontactable Third Party Payors, interviews have been conducted with and/or confirmations have been obtained from the Relevant Investors and the Third Party Payors to ascertain: (i) the relevant payments were made by the Third Party Payors on behalf of the Relevant Investors; (ii) the relationship between them and the reason for the Third Party Payments; and (iii) the ownership of the relevant shares. Except for the Series E/F Uncontactable Third Party Payors, the Third Party Payors confirmed that the Third Party Payments were made on behalf of the corresponding Relevant Investors. Further, since our Company has not received any refund request and is not aware of any actual or threatened litigation dispute or investigation arising from the Third Party Payments, the Company has no reason to believe the relevant Third Party Payors will withdraw the Third Party Payments. We have also reviewed the available underlying bank documents, loan agreements, other documentary proof and have done appropriate desktop search regarding the background and relationships between the Third Party Payors and the Relevant Investors.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

We have also obtained the following legal opinions (the “**Legal Opinions**”) to assess our potential legal exposure in relation to the Third Party Payments:

Hong Kong

We are advised by a Hong Kong barrister-at-law that based on the facts and information available from the Company, the requisite mental element of the offense of money laundering under the Organized and Serious Crimes Ordinance (Cap 455) (“**OSCO**”) is absent because there is a lack of evidence of knowledge of any reasonable grounds that the Third Party Payments may amount to proceeds from an indictable offense by the relevant individuals of the Company handling the transactions and our involvement in the Third Party Payments do not amount to commission of money laundering offense under OSCO or any other offense such as conspiracy to commit money laundering and tipping off under the OSCO and the Anti-Money Laundering and Counter-Terrorist Finance (Cap 615).

The PRC

Given that (i) we are not an entity established under the PRC laws and regulations; (ii) our bank accounts to receive the Third Party Payments were not opened in the PRC; (iii) there is insufficient evidence to prove that the Third Party Payments to us came from illegal and criminal proceeds based on the interviews with us and other relevant parties, we are advised by the PRC legal counsel that based on the facts and information available, the risk that we will be deemed to have committed an act of money laundering under the Anti-Money Laundering Law of the PRC or committed crimes of money laundering under the Criminal Law of the PRC by receiving the Third Party Payments is low.

U.S.

We are advised by the U.S. legal counsel that, based on the facts and information available, given that the Company, its subsidiaries and its officers lacked the requisite knowledge or intent required under the U.S. Money Laundering Control Act and the California anti-money laundering statute, the Third Party Payments did not give rise to a violation of the applicable U.S. and California anti-money laundering laws.

Cayman Islands

We are advised by the Cayman Islands legal counsel that, based on the facts and information available, (i) our acceptance and application of subscription funds by parties other than registered shareholders is not, by itself, a criminal offense in the Cayman Islands; (ii) to the extent we are only a holding company and we are not regarded as conducting “relevant financial business,” we will not be subject to the Anti-Money Laundering Regulations (As Revised) (or the Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist and Proliferation Financing in the Cayman Islands); and (iii) given that we do not

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

consider that there are reasonable grounds for suspicion of criminal conduct or money laundering in relation to the Third Party Payors, the mental element relating to money laundering and reporting offenses under the Proceeds of Crime Act (As Revised) would be lacking.

Notwithstanding the above, in order to reduce any risk associated with the Series E/F Uncontactable Third Party Payments, the following additional steps have been taken:

- (1) Mahayana and Dr. Zhou had settled the "other receivable due from Mahayana and Dr. Zhou" by paying a sum of money equivalent to the Series E/F Uncontactable Third Party Payments into our bank account on June 13, 2023;
- (2) the same money was then used by us to pay to Mahayana and Dr. Zhou for the repurchase of the relevant Shares as set out in "— (xi) Issuance, Repurchase and Transfers" in this section. The repurchased Shares were canceled on June 13, 2023; and
- (3) a sum of money equivalent to the Series E/F Uncontactable Third Party Payments which corresponds to "other payable to the Series E/F Uncontactable Third Party Payors" has been reserved in case of any future claims by the Series E/F Uncontactable Third Party Payors.

Our Company did not ratify the remaining Third Party Payments as our Company is not aware of any material issue which would raise doubt as to the genuineness of the remaining Third Party Payments:

- (1) our Company was able to reconcile the remaining amount of the Third Party Payments with the investment amount which ought to be received by the Company pursuant to the investments;
- (2) there was no indication of any suspicion of illegal activity;
- (3) our Company is not aware of any actual or threatened litigation, dispute or investigation arising from the remaining Third Party Payments;
- (4) our Company has not received any refund request; and
- (5) any claim (however remote) against our Company will be indemnified by Dr. Zhou.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Enhanced Internal Control Measures

We engaged an independent internal control consultant to assist us to enhance our internal control measures relating to the receipt of funds from third parties. The following key enhanced internal control measures designed to prevent recurrence of similar third party payment arrangements have been implemented:

- the implementation of "Know Your Customer" (the "KYC") procedures to investigate and understand the identity, business and source of funding of our counterparties and a risk profile assessment on on-boarding of our customers and investors;
- the compilation and updating of a list of subjects (the "List") that are susceptible to money laundering and/or terrorist activities to assess the risk profile of our counterparties;
- if the counterparty is on the List, we may cease our existing transaction(s) with such party, reject transfer instructions or orders and/or freeze such party's account(s) maintained with us (if any);
- verification and reconciliation of payments received based on the information gathered in the KYC procedures and any further enquiry to be made by the finance department (if necessary);
- if we are informed in advance that third party payment may be involved, we are required to obtain information relating to, among other things, the reason of such arrangement, the identity and relationship of such third party payor with the counterparty and such counterparty is required to enter into a third-party payment agreement;
- after completing all necessary due diligence procedures, the finance department shall prepare the third-party payment approval form and submit to the chief financial officer, together with the third-party payment agreement, payment authorization letter or other relevant supporting documents, for written approval. Any third-party payment in relation to investment and financings shall be submitted to the Company Secretary for approval;
- if payment from unknown sources is received, we are required to verify the source of payment and obtain information relating to, among other things, the reason of such arrangement, the identity and relationship of such third party payor with the counterparty. The counterparty is also required to enter into a third-party payment agreement confirming the details of the arrangement before such payment will be recognized;
- if the third-party payment agreement or payment authorization letter cannot be provided within a reasonable period, or the information set out therein is not consistent with our financial records and payment information, the finance department shall return the payments within seven working days;

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- requiring our various departments to assist the finance department in gathering and updating the relevant information from the counterparties in order to monitor the third party payment issue; and
- the appointment of a designated compliance officer to oversee the implementation of our internal control policies and measures including the abovementioned measures.

The independent internal control consultant performed a follow-up review in August 2023 on the implementation of the enhanced internal control measures. The internal control consultant did not have any further recommendation following such follow up review.

Based on the circumstances and facts in relation to the enhanced internal control measures disclosed above, our Directors are of the view that the enhanced internal control measures adopted by us, if implemented continuously, are reasonably adequate and effective in identifying and managing the third party payment arrangements.

No Material Adverse Impact on the Group

Having considered (i) the investments were genuine, bona fide investments in our Company and were not in any way dependent on our acceptance of the Third Party Payments; (ii) the conclusions with respect to the Third Party Payments as indicated in the Legal Opinions; (iii) the relevant Shares corresponding to the Series E/F Uncontactable Third Party Payments have been canceled and a sum of money equivalent to the Series E/F Uncontactable Third Party Payments has been reserved in case of any future claims; and (iv) we have implemented enhanced internal control measures to prevent recurrence of similar third party payment arrangements, and we will not continue the use of third party payment arrangements without the use of third-party payment agreement in accordance with the enhanced internal control measures, our Directors are of the view that the investments involving the Third Party Payments had been irrevocably settled and the Third Party Payments (including the Series E/F Uncontactable Third Party Payments) did not and will not have any material adverse impact on our Group.

Joint Sponsors' View

The following independent due diligence work, among others, have been undertaken in respect of the Third Party Payments:

- (i) reviewed the relevant underlying Pre-[REDACTED] Investments agreements, bank statements in relation to the Third Party Payments, document proof of relationship between the Relevant Investors and the relevant Third Party Payors (except the Uncontactable Third Party Payors); loan agreements relating to the loans advanced by the Intermediaries, written confirmations provided by or due diligence interview notes with the Relevant Investors (except one of the Relevant Investors who is now deceased), Third Party Payors (except the Uncontactable Third Party Payors) and results of desktop search conducted on the Third Party Payors;

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (ii) discussed with the management of the Company to understand the background and details of the Third Party Payments;
- (iii) discussed with the management of the Company and professional parties to understand the potential implications of the Third Party Payments including the accounting treatment and legal exposure, and remedial actions to be taken in relation to the Uncontactable Third Party Payments;
- (iv) conducted due diligence interviews with the Company, the Relevant Investors (except one of the Relevant Investors who is now deceased), the Third Party Payors (except the Uncontactable Third Party Payors) and the Intermediaries to understand reasons and background for the Third Party Payments, relationships between the Relevant Investors and the relevant Third Party Payors and source of funds of the Relevant Investors and Third Party Payors;
- (v) conducted additional steps with respect to the Uncontactable Third Party Payments including visiting the registered address of each of the Uncontactable Third Party Payor and placing telephone calls to each of the Uncontactable Third Party Payors based on information from public record and engaging an independent search agent to conduct background search on the Uncontactable Third Party Payors and the Intermediaries;
- (vi) discussed with the independent internal control consultant of the Company on associated internal control deficiencies and measures to enhance the internal control of the Company;
- (vii) reviewed the enhanced internal control measures designed to prevent recurrence of similar third party payments;
- (viii) conducted due diligence interview with the compliance officer appointed by the Company to oversee the implementation and effectiveness of the internal control policies and measures of the Group;
- (ix) reviewed the Legal Opinions to ascertain the Company's potential legal exposure in relation to the Third Party Payments.

Based on the independent due diligence work conducted as described above, nothing material has come to the attention of the Joint Sponsors as of the date of this document that would cause them to disagree with the Company's view that the Third Party Payments did not and will not have material adverse impact on our Group.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

For legal risks associated with the potential breaches and/or violation of the applicable anti-money laundering laws with respect to the Third Party Payments, please refer to the paragraph headed “Risk Factors — Risks Related to Our Business and Industry — Certain of the Pre-[REDACTED] Investment payments received by our Company were settled through third party payors, which may subject us to penalties or result in potential litigations or disputes that may harm our business and reputation” for more details.

PREVIOUS LISTING PLANS

In December 2018, our Company sought an initial public offering in the United States (the “**Contemplated U.S. Listing**”). However, in March 2019, we decided to suspend the Contemplated U.S. Listing due to unfavorable capital market conditions in the United States at the time. As part of the Contemplated U.S. Listing process, we submitted the application documents on a confidential basis, including a draft registration statement, to the U.S. Securities and Exchange Commission (the “**SEC**”) for its review. There was no disagreement with the SEC or other professional parties in the Contemplated U.S. Listing.

In view of the growing potential of stock market in the PRC, we considered applying for a listing of the Shares in the PRC (“**Contemplated PRC Listing**”) to raise funds for our business development. In preparation for the Contemplated PRC Listing, the Company made a pre-listing tutoring filing (上市輔導備案) with the Anhui CSRC (中國證券監督管理委員會安徽監管局) in June 2019. The pre-listing tutoring filing did not constitute a listing application with the CSRC. During the tutoring period in preparation for the Contemplated PRC Listing, we did not encounter any disagreements with the professional parties or the CSRC.

Our Company is not aware of any material issue being identified or any major comment being raised by the authorities during the Contemplated U.S. Listing. No listing application has been made in respect of the Contemplated PRC Listing.

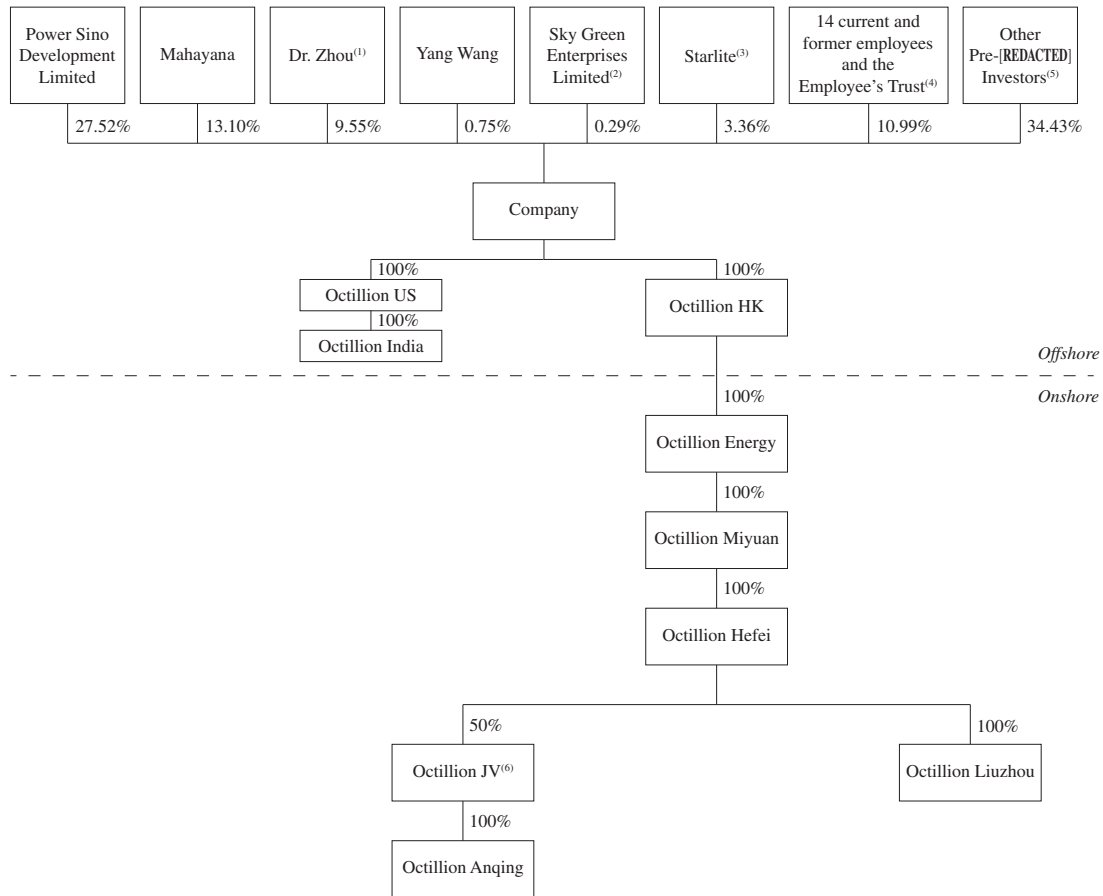
Due to commercial reasons, and considering that the Stock Exchange would provide us with an international platform to gain access to foreign capital and overseas investors, the Company decided to proceed instead with the [REDACTED].

Our Directors are of the view that there is no matter in relation to the Contemplated U.S. Listing and the Contemplated PRC Listing relevant to the [REDACTED] which would affect our Company’s suitability for the [REDACTED] and/or should be brought to the Stock Exchange’s attention.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE UPON COMPLETION OF THE REORGANIZATION

The diagram below sets out our shareholding structure immediately after the completion of the Reorganization and prior to the completion of the Capitalization Issue and the [REDACTED]:

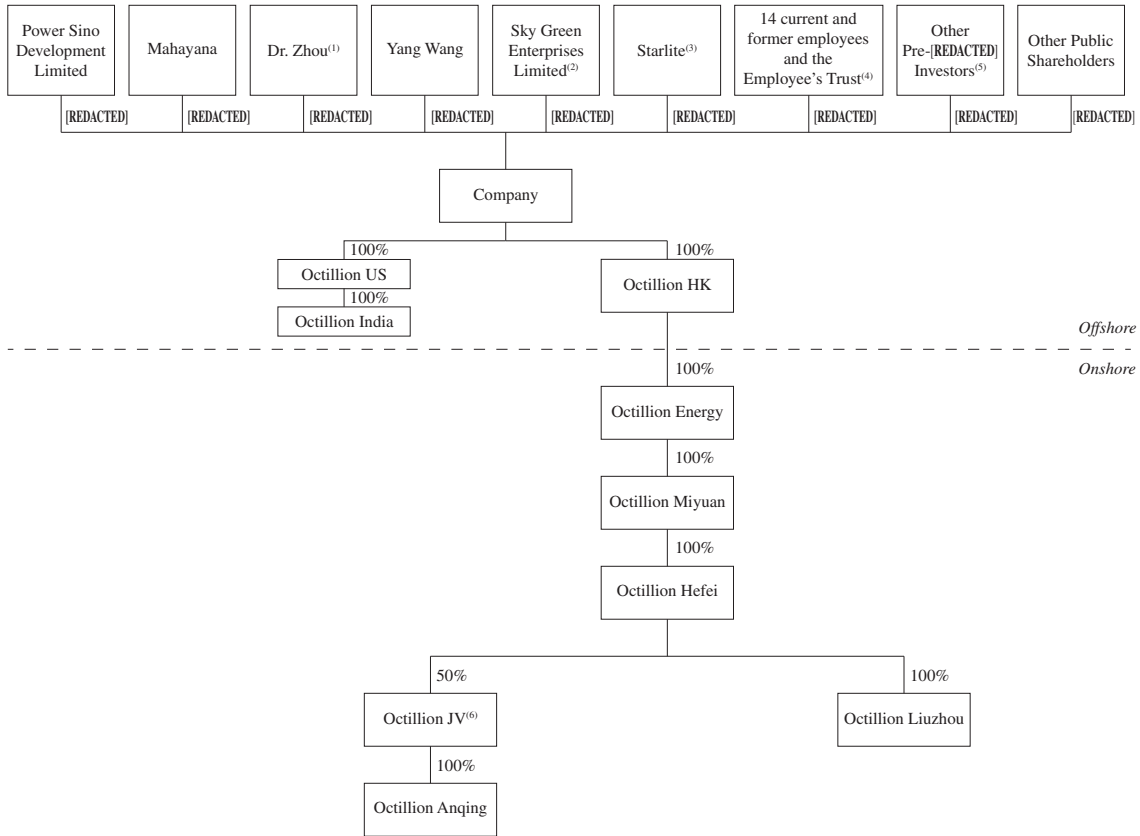


Notes:

- (1) Dr. Zhou holds the Shares through Dirgha Peak Holding Limited (7.76%), Agama Pole Holding Limited (1.45%) and Ananda (0.35%).
- (2) Sky Green Enterprises Limited is a company wholly owned by Mr. Simon Meng, spouse of Ms. Tina Lin-chi Ju, our non-executive Director.
- (3) Starlite includes Starlite Investment Group LLC (1.83%) and Starlite Investment Group NV LLC (1.52%), companies controlled by Mr. Alfred Tsai Chu, our non-executive Director.
- (4) Our current and former employees include Paul Maynard Beach III (0.01%), David Pariseau (1.86%), Wayne Cheung (0.55%), Paul Tsao (1.23%), Robert Shih-Chiu Wu's estate (0.06%), Michael Donoghue (inherited by Michele P. Donoguhe) (0.52%), Wei Zhou (0.05%), Amy Wessner (0.01%), John Hovell (0.03%), Shih-Hao Wang (0.10%), Brian Dillard (0.70%), Zhesheng Li (0.25%), Ieng Kit Leung (0.66%), and Yaron Alexandrovich (<0.01%). For further details of the Employee's Trust (4.95%), please refer to the paragraph headed "Pre-[REDACTED] Share Incentive Scheme" in this section.
- (5) Other Pre-[REDACTED] Investors are independent third parties, including (i) TDRH Capital Co. Limited (7.85%), (ii) Tgyal Investment Holdings Limited (0.87%), (iii) Mingly China Growth Fund, L.P. (1.11%), (iv) China Electronics Corporation Huada International Ltd. (2.63%), (v) Jimmy Lee (0.10%), (vi) SVIC No. 15 New Technology Business Investment LLP and SVIC No. 24 New Technology Business Investment LLP (3.15%), (vii) Sycamore Capital Holdings Limited (0.65%), (viii) PH Holdings Limited (0.65%), (ix) SBCVC Fund V Pte Ltd (4.37%), (x) Southern Cross REVC Trusco Pty Limited (3.26%), (xi) TotalEnergies (0.95%), (xii) KB IP Investment Fund and KB Tail End Fund (0.67%), (xiii) Mirae Asset Good Company Secondary Fund #18-1 (0.40%), (xiv) SJ New Challenge Fund (0.32%), (xv) GU Semiconductor Venture Fund (0.20%), (xvi) EASE Fortune (3.96%), (xvii) Ally Bridge Integrity I Limited, Xinchen Fund I, Xinchen Fund II (2.39%), (xviii) SAIC Technologies Fund II, LLC (0.44%), (xix) NXP B.V. (0.44%), and (xx) John M. Guo (0.01%). For further details, please refer to the paragraph headed "Pre-[REDACTED] Investments" in this section.
- (6) Octillion JV is a joint venture established by us with JAC.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The diagram below sets out our shareholding structure immediately after the completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised and no Shares are allotted and issued under the Share Incentive Schemes):



Notes:

- (1) Dr. Zhou holds the Shares through Dirgha Peak Holding Limited [REDACTED], Agama Pole Holding Limited [REDACTED] and Ananda [REDACTED].
- (2) Sky Green Enterprises Limited is a company wholly owned by Mr. Simon Meng, spouse of Ms. Tina Lin-chi Ju, our non-executive Director.
- (3) Starlite includes Starlite Investment Group LLC [REDACTED] and Starlite Investment Group NV LLC [REDACTED], companies controlled by Mr. Alfred Tsai Chu, our non-executive Director.
- (4) Our current and former employees include Paul Maynard Beach III [REDACTED], David Pariseau [REDACTED], Wayne Cheung [REDACTED], Paul Tsao [REDACTED], Robert Shih-Chiu Wu’s estate [REDACTED], Michael Donoghue (inherited by Michele P. Donoguhe) [REDACTED], Wei Zhou [REDACTED], Amy Wessner [REDACTED], John Hovell [REDACTED], Shih-Hao Wang [REDACTED], Brian Dillard [REDACTED], Zhesheng Li [REDACTED], Ieng Kit Leung [REDACTED], and Yaron Alexandrovich [REDACTED]. For further details of the Employee’s Trust [REDACTED], please refer to the paragraph headed “Pre-[REDACTED] Share Incentive Scheme” in this section.
- (5) Other Pre-[REDACTED] Investors are independent third parties, including (i) TDRH Capital Co. Limited [REDACTED], (ii) Tgyal Investment Holdings Limited [REDACTED], (iii) Mingly China Growth Fund, L.P. [REDACTED], (iv) China Electronics Corporation Huada International Ltd. [REDACTED], (v) Jimmy Lee [REDACTED], (vi) SVIC No. 15 New Technology Business Investment LLP and SVIC No. 24 New Technology Business Investment LLP [REDACTED], (vii) Sycamore Capital Holdings Limited [REDACTED], (viii) PH Holdings Limited [REDACTED], (ix) SBCVC Fund V Pte Ltd [REDACTED], (x) Southern Cross REVC Trusco Pty Limited [REDACTED], (xi) TotalEnergies [REDACTED], (xii) KB IP Investment Fund and KB Tail End Fund [REDACTED], (xiii) Mirae Asset Good Company Secondary Fund #18-1 [REDACTED], (xiv) SJ New Challenge Fund [REDACTED], (xv) GU Semiconductor Venture Fund [REDACTED], (xvi) EASE Fortune [REDACTED], (xvii) Ally Bridge Integrity1 Limited, Xinchun Fund I, Xinchun Fund II [REDACTED], (xviii) SAIC Technologies Fund II, LLC [REDACTED], (xix) NXP B.V. [REDACTED], and (xx) John M. Guo [REDACTED]. For further details, please refer to the paragraph headed “Pre-[REDACTED] Investments” in this section.
- (6) Octillion JV is a joint venture established by us with JAC.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisors confirm that, in all material respects, all share transfers and subscriptions in respect of the validly existing PRC companies in our Group as described above in this section have obtained all necessary government approvals and permits and the government procedures involved are in accordance with the PRC laws and regulations. Our PRC Legal Advisors also confirm that, in all material respects, we have obtained all necessary approvals from the relevant PRC regulatory authorities required for the implementation of the Reorganization.

THE M&A RULES

The MOFCOM together with other five departments promulgated the Rules on Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “**M&A Rules**”) on August 8, 2006, effective on September 8, 2006 and amended on June 22, 2009. Under Article 11 of the M&A Rules, where a domestic individual or enterprise intends to implement a merger and acquisition of the related domestic company in the name of an offshore company which lawfully establishes or controls, such merger and acquisition shall be subject to the examination and approval of the MOFCOM.

As advised by our PRC Legal Advisors, Article 11 of the M&A Rules was not applicable to the Reorganization.

SAFE REGISTRATION IN THE PRC

Pursuant to the Circular on the Administration of Foreign Exchange involved in the Investment and Financing and Round-trip Investment conducted by PRC Residents via Special Purpose Vehicle (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 37**”) issued by the SAFE on July 4, 2014 where the PRC individual residents conduct investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments. SAFE Circular 37 also requires the PRC residents to file changes to their registration where their offshore special purpose vehicles undergo material events such as the change of basic information including PRC residence, name and operation period, as well as capital increase or decrease, share transfer or exchange, merger or division. On February 13, 2015, the SAFE issued the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), pursuant to which the aforesaid registration shall be directly reviewed and handled by qualified banks instead of the local branch of the SAFE.

As advised by our PRC Legal Advisors, Dr. Zhou, our Director, has completed the registration under SAFE Circular 37, and no direct Shareholders are subject to SAFE Circular 37 registration.

BUSINESS

OVERVIEW

We are a passenger electric vehicle, or EV, battery system developer in China, with operations in India and the United States. In 2023, we were ranked as the fourth largest EV battery system provider for passenger battery electric vehicles, or passenger BEVs, in China by shipment unit with a market share of 5.1%, according to the F&S Report. By April 30, 2024, our battery systems had powered over 1.5 million EVs in China, including approximately 30% of A0/A00 size passenger BEVs in China in 2023, according to the F&S Report. We believe we will continue to capture a significant portion of the large and fast-growing EV market.

We primarily design, manufacture and sell tailor-made battery systems for EVs and, to a lesser extent, energy storage solutions and battery management systems, or BMS. Our EV battery systems are customized for diverse applications across new energy passenger, commercial and other vehicles, including BEVs, plug-in hybrid electric vehicles, or PHEVs, and hybrid electric vehicles, or HEVs. Within the passenger BEV market, we have a market share in A00 size passenger BEVs accounting for approximately 19% of total passenger BEV sales volume in China in 2023, according to the F&S Report.

As an EV battery system solutions provider, we enable downstream and upstream EV value chain players by addressing their needs. Our customers primarily include EV OEMs and battery cell manufacturers. For EV OEMs, we function as a one-stop-shop of competitive and tailored EV battery systems with various battery cells that also enables competitive safety, cost and time-to-market. Our leadership position is evidenced in the partnerships formed with our EV OEM customers. For example, we have been supplying EV battery systems to a leading EV OEM in China since 2013 and for electric buses to an Indian multinational manufacturer of cars, trucks and buses since 2016.

For battery cell manufacturers, we enable them to rely on our product development and manufacturing capability to sell their battery cells, within our EV battery systems, to a wider group of customers. By partnering with battery cell manufacturers, as our supplier or customer, we leverage on each other’s strengths and networks. We believe this unique value proposition is the reason CATL selected us as their supplier of battery systems and technologies for cylindrical battery cells for its designated EV OEM customer since 2021, and further engaged us to develop EV battery systems with prismatic battery cells in 2023.

BUSINESS

Engineering, design and development, or EDD, is one of our core competencies. We have developed specialized technologies to customize EV battery systems with outstanding safety and cost standards:

- Our platform-based engineering and manufacturing model allows us to offer EV battery systems with a wide variety of battery cells comprising different chemistries (including LFP, LMO, NCM and NCA) and form factors (including cylindrical, prismatic and pouch).
- We have developed a bipolar encapsulated structure technology, or BEST, to mitigate thermal runaway propagation. This technology significantly improves the safety level of high specific energy density battery systems. The probability of propagation of thermal runaway of our EV battery systems is less than 1%, which is significantly lower than the industry average of 10%, according to the F&S Report. We are one of the few companies in China with the technology to ensure thermal runaway of a single battery cell will not propagate throughout the system, according to the F&S Report.
- Our multifunctional unitized structure technology, or MUST, eliminates modules and reduces components and connections within an EV battery system and achieved a significant cost reduction of approximately 10% compared to the industry average, according to the F&S Report.

We have five manufacturing facilities in China and two manufacturing facilities in India. Our facilities are strategically located in close proximity to select customers, to ensure responsiveness, enhance manufacturing efficiency and reduce transportation costs. Furthermore, our flexible, scalable and cost-efficient manufacturing processes allow us to meet the strict demands of our customers in terms of quantity, quality and delivery time. We can achieve a six to nine months design-to-suit cycle with our flexible technology platforms and a three to four months ramp-up cycle with our in-house manufacturing process and equipment. This is significantly shorter than the industry average of approximately 12 months design-to-suit cycle and six to eight months ramp-up cycle, according to the F&S Report.

While we continue to benefit from the expansion of the EV market in China, which is expected to grow at a CAGR of 19.2% from 2024 to 2028, we have identified markets with substantial growth potential outside of China. In particular, our business has expanded into fast-growing non-passenger BEVs, such as buses and trucks, as well as special purpose vehicles, construction machinery and marine applications, such as sail boats, waste management trucks and cold chain trucks, in India and the United States.

BUSINESS

During the Track Record Period, our revenue increased from RMB2,566.7 million in 2021 to RMB5,574.4 million in 2022. Our revenue decreased from RMB5,574.4 million in 2022 to RMB3,176.0 million in 2023, and increased from RMB505.3 million for the four months ended April 30, 2023 to RMB949.4 million for the four months ended April 30, 2024. We recorded net loss of RMB65.9 million in 2021, net profit of RMB108.0 million and RMB59.2 million in 2022 and 2023, respectively, and net losses of RMB29.4 million and RMB27.1 million for the four months ended April 30, 2023 and 2024, respectively.

COMPETITIVE STRENGTHS

A passenger EV battery system supplier in China offering customized and consistently high quality products

We are a passenger EV battery system developer in China offering customized and consistently high quality products to our customers. In 2023, we were ranked as the fourth largest EV battery system provider for passenger BEVs in China by shipment unit with a market share of 5.1%, according to the F&S Report. In 2023, our battery systems powered approximately 30% of A0/A00 size passenger BEVs in China, according to the F&S Report.

Our leadership position is also evidenced in the partnerships formed with our EV OEM customers and battery cell manufacturers. For example, we have been supplying EV battery systems to a leading EV OEM in China since 2013. In 2023, our EV battery systems powered approximately a third of the best-selling A00 size EV models and approximately a third of one of the best-selling A0 size EV models in China, according to the F&S Report. Furthermore, we have successfully converted a number of our battery cell suppliers, including two of the top 15 PRC battery players by shipment volume in 2023 according to the F&S Report, into our customers, and gone to market together with their battery cells within our EV battery systems. In particular, since 2021, we have been supplying battery systems and technologies for cylindrical battery cells to CATL, the world’s largest battery cell manufacturer in 2023 according to the F&S Report, for its designated EV OEM customer. In 2023, CATL further engaged us to develop EV battery systems with prismatic battery cells. We believe we attained this position due to our unique advantages of delivering reliable and bespoke battery system solutions and technologies at competitive price points and services.

Engineering, design and development capabilities

EDD is pivotal to our success. We have developed specialized technologies that allow us to offer EV battery systems with both cylindrical and prismatic battery cells at outstanding safety and cost standards:

- ***Cylindrical battery cells.*** We have developed BEST to ensure thermal runaway of a single battery cell will not propagate throughout the system. We initially applied BEST to high specific energy density cylindrical battery cells, which resulted in outstanding safety standards with less than 1% probability of thermal runaway propagation, compared to the industry average of approximately 10%, according to

BUSINESS

the F&S Report. When we extended the application of BEST to LFP large format battery cells, we further yielded significant cost savings due to the reduced amount of encapsulants. The LFP cylindrical battery cells with BEST have achieved cost reduction of approximately 40% compared to the industry average. BEST is a breakthrough battery system design with cylindrical battery cells that offers superior safety and cost performance.

- ***Prismatic battery cells.*** Our MUST is a cutting-edge technology we developed that eliminates modules and reduces components and connections in prismatic battery cells. This technology was initially designed for LFP prismatic battery cells, which achieved a significant cost reduction of approximately 10% compared to the industry average, according to the F&S Report. We further enhanced our battery systems by incorporating thermal runaway propagation mitigations and successfully applied it to high specific energy density prismatic battery cells, which ensured battery system safety while maintaining the cost advantage. We believe it will be difficult for competitors to undercut our price while maintaining a similar level of quality standards.

For further details, see the section headed “— Engineering, Design and Development — EDD Process — Technology platforms — Specialized technologies” below.

We are also committed to developing next-generation battery systems with disruptive technology to offer alternatives to lithium-ion batteries. In 2023, we developed sodium-ion battery system prototypes for application in entry-level EV models. According to the F&S Report, we were the first in the world to develop a battery system with sodium-ion battery cells. We were also one of the first players in China to develop battery systems using 4695 cylindrical battery cells, which was launched in April 2024. Furthermore, we are committed in the research on application of alternative battery technology, namely semi solid-state battery and solid-state battery technology, in battery systems. According to the F&S Report, these alternative battery technologies are expected to commercialize in 2025 and 2030, respectively. Once these battery cell technologies commence mass commercialization, we will use our EDD capabilities to develop battery systems to apply such battery cell technologies.

Our commitment to EDD is further evidenced by our large patent portfolio. As of the Latest Practicable Date, we possessed more than 870 patents, five domain names and 17 software copyrights. Our patents cover multiple key battery system technologies, including liquid-cooling systems, battery thermal runaway detecting systems, thermal management modules, battery safety monitoring systems, and overcharging prevention techniques.

Strong partnerships with downstream and upstream players within the EV value chain

We have strived to develop strong partnerships with EV OEMs and battery cell manufacturers since we were founded.

BUSINESS

EV OEMs generally allocate their EDD and manufacturing resources to a limited number of EV models. In contrast, as the battery system supplier of a large number of EV OEMs, we have economies of scale in designing and producing battery systems. We are able to help our EV OEM customers increase their bargaining power in a highly concentrated battery cell market by essentially aggregating demands of multiple EV OEMs. For EV OEMs, we function as a one-stop-shop of tailored EV battery systems with battery cells comprising various battery chemistries that also enables competitive safety, cost and time-to-market. We also provide EV battery system engineering services to customers on an as-needed basis.

Our proven track record of delivering customized EV battery systems has strengthened our partnerships with customers and enhanced customer reliance. In particular, we established a joint venture with our anchor customer, JAC, in 2017. Our battery systems also powered more than one in three A00 size passenger BEVs in China in 2022, according to the F&S Report. In India, Customer D, a leading Indian EV manufacturer for whom we have been supplying EV battery systems for electric buses since 2016, has further entrusted us to supply EV battery systems for its passenger EVs starting in December 2023. Our consistent performance and reliability have not only deepened this existing relationship but allowed us to win the business of a second large-scale electric bus manufacturer in India in 2023.

Battery cell manufacturers have expertise in developing and optimizing various battery chemistries, but generally have limited ability to provide customized solutions to EV OEMs, given their need to increase scale. On the other hand, we have complementary capability and knowledge to design and integrate various battery cells into battery systems that meet the specific requirements of our customers. Therefore, when battery cell manufacturers outsource the customization of EV battery systems and services to us, they can rely on our product development and manufacturing capability to sell their battery cells, within our EV battery systems, to a wider group of customers. By partnering with battery cell manufacturers, instead of competing against them, we leverage on each other's strengths and networks. We believe this unique win-win value proposition is the reason CATL selected us to supply battery systems and technologies for cylindrical battery cells for its designated automobile OEM customer since 2021 and further engaged us to develop EV battery systems with prismatic battery cells in 2023.

During the Track Record Period, we had 77 value chain partners, consisting of 55 EV OEM customers, 18 battery cell manufacturer suppliers (three of which were also our battery cell manufacturer customers) and seven battery cell manufacturer customers. Out of these 22 battery cell manufacturers, eight were ranked among the top 10 PRC battery players by shipment volume in 2023 according to the F&S Report. These extensive partnerships place us in a unique position within the EV value chain that is hard to replicate and serves as a significant entry barrier to potential competitors. In 2023, we had a 5.1% share of the passenger BEV market by shipment unit in China, according to the F&S Report. We believe we will continue to capture a significant portion of the large and fast-growing EV market.

BUSINESS

Experienced and committed management team backed by strong investor base

Our highly experienced leadership team is anchored by deep technical expertise. In particular, our founder, chairman and chief executive officer, Dr. Zhou, has 17 years of experience in advanced energy storage and received multiple prestigious scientific awards. Ieng Kit Leung, the chief financial officer of our Company, also plays an instrumental role in our overall business growth. Mr. Leung is a veteran in private equity and venture investment with over 20 years of capital markets experience. Dr. Zhou and Mr. Leung are supported by, among others, our co-president, Yang Wang, who is primarily responsible for our PRC operations and has had over 15 years of experience in engineering, and our CTO, Dr. Lao Li, an expert in platform development and passenger vehicle projects. Having cooperated for eight years, our core management team is able to work efficiently and seamlessly as a team to execute our development and expansion plans. The trust which we place on our core management team, the bond and comradeship built amongst the team members and their commitment to our Group set important cultural tones and corporate values for the rest of our workforce. Under their leadership, we have established a successful track record in EV battery design and innovation.

In addition, we are backed by a strong investor base, which includes highly sophisticated, established and reputable venture capital and private equity funds based in the United States, China, Korea and other jurisdictions. These include, among others, KPCB China Fund, L.P., funds of SB China Capital, funds managed by Samsung Venture Investment Capital and SAIC Capital (the venture capital arm of SAIC). Our investors also include value chain companies, such as NXP B.V. and TotalEnergies Ventures International, S.A.S. Together, our investors provide credibility to our brand and reputation while enhancing our commercialization expertise.

BUSINESS STRATEGIES

Further advancing our technologies

Our EDD capabilities are vital to maintaining long-term competitiveness. We are committed to EDD and will relentlessly focus on enhancing our EDD process and products with cutting-edge technologies:

- **EDD team.** As of April 30, 2024, our EDD team located in China, the United States and India consisted of a total of 375 members, representing 31.6% of our employees. We intend to strengthen our EDD capabilities by gradually increasing the number of EDD members. We will continue to recruit qualified and experienced EDD personnel, with a particular focus on product and process and equipment development, and provide tailored mandatory and elective training to enhance their expertise.

BUSINESS

- **EDD capital expenditure.** We intend to enhance our EDD capabilities through the continuing development of our technologies, including BEST, MUST and FLASH, and the development of our EDD capabilities by, among others, investing in our rapid prototyping and validation capabilities and data driven engineering design and development. These programs will enhance our product portfolio and accelerate our design-to-suit cycle.

With our continued investment in EDD, we aim to stay at the forefront of battery system technology development and product innovation.

Expanding our manufacturing capabilities

We intend to strengthen our business to strike for operational excellence with the following manufacturing expansions and upgrades:

- **Manufacturing capacity.** We intend to increase the annual manufacturing capacity in our existing facilities to meet increasing demand for our products by the customers that these facilities primarily serve. In particular, the annual manufacturing capacity of Hefei facility II, Hefei facility III, Anqing facility, Liuzhou facility, Pune facility I and Pune facility II will increase by approximately 13,000 units, 400,000 units, 40,000 units, 310,000, 31,000 and 28,000 units, respectively, by the end of 2026.

In addition, we intend to increase our manufacturing capacity by establishing a new manufacturing facility in Nevada, United States (United States facility), to meet market demand from local customers. The US facility is expected to commence operation in 2024 with an annual manufacturing capacity of approximately 15,000 units.

Upon completion, these additional facilities and production lines are expected to increase our total annual manufacturing capacity from 0.9 million units as of April 30, 2024 to approximately 1.8 million units by the end of 2026. For further details, see the section headed “— Manufacturing — Manufacturing Facilities — Production and capacity expansion plans” below.

- **Automation.** We intend to optimize our manufacturing processes and equipment to ensure continued excellence in our products and services. In particular, we intend to upgrade production lines in all our facilities, enhancing automation levels in battery cell testing, visional inspection, robotics, automated guided vehicles, and manufacturing execution system. We aim to complete these upgrades by 2024. Upon completion, these upgrades are expected to reduce our overall direct labor manpower requirement and further reduce our battery system cost.

BUSINESS

Developing new relationships and expanding our product portfolio

We have historically demonstrated our ability to expand our market share by strengthening our relationships with different EV value chain players. As a result, our sales volume of EV battery system increased from 303,045 units in 2021 to 528,262 units in 2022. We will identify new opportunities and expand the width of our portfolio. We intend to adopt the following expansions:

- ***Battery cell portfolio expansion.*** Our ability to offer battery systems with a repertoire of battery cells will continue to give us a critical advantage over our competitors. We intend to expand our battery cell portfolio to include large form factor battery cells (such as 4695 cylindrical battery cells) into our BEST platform and to include high specific energy density prismatic and pouch battery cells into our MUST platform. These will allow us to provide a full range of battery system solutions to our customers to enhance their car model development capabilities.
- ***End market expansion.*** We intend to continue to leverage our flexible design and manufacturing model to expand diverse application of our battery systems. In particular, we intend to enhance our product offerings for fast-growing segments of PHEVs and HEVs, smaller but underserved segments of non-passenger BEVs, such as buses and trucks, as well as special purpose vehicles, construction machinery and marine applications, such as sail boats, waste management trucks and cold chain trucks. We also intend to replicate our success with A00 size passenger BEVs in China in the A0 and A segments. These A0 and A segments are estimated to account for approximately 47% of total passenger BEV sales volume in China in 2028, according to the F&S Report. We intend to design larger EV battery systems to offer A0 and A size passenger BEVs with enhanced power and extended range, aligning with market trends and consumer preferences. For further details, see the section headed “— Business Sustainability” below.
- ***International expansion.*** We have identified specific markets within underserved regions with substantial growth potential, including India and the United States. In 2023, we were ranked as the second largest BEV battery system provider in India by installed volume according to the F&S Report. We intend to build and expand our presence outside China through capital expenditures in India and the United States to localize manufacturing, supply chain, service and engineering to better serve customers. In addition, these expanded capabilities outside China will not only allow us to access new markets, but also enhance our value chain position by providing a launchpad for our existing value chain partners to extend their reach.

BUSINESS

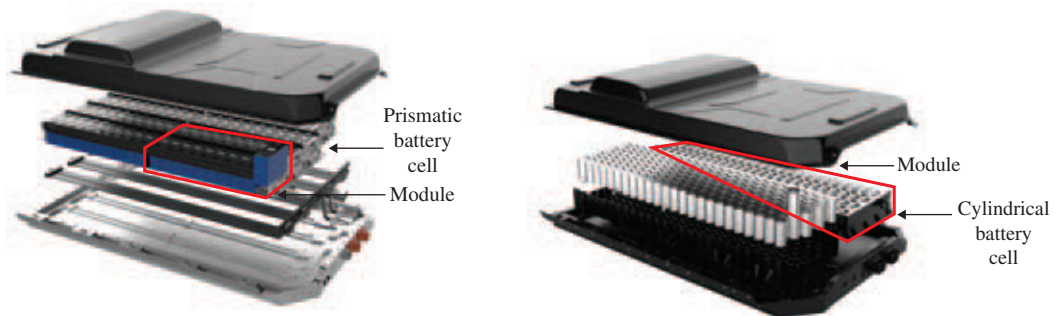
Developing flexible partnership models to further cement our unique proposition to value chain partners

As an EV battery system solutions provider, we are distinctively placed to enable different EV value chain players by addressing their needs. Rather than competing with battery cell manufacturers and EV OEMs, we have historically expanded our business by converting CATL, the world’s largest battery cell manufacturer in 2023 according to the F&S Report, and other battery cell manufacturers into customers, and formed a joint venture company, Octillion JV, with JAC, one of our major customers. We will continue to explore flexible partnership models that will allow us to leverage on each other’s strengths and networks. In particular, we aim to continue converting an increasing number of our battery cell suppliers into our strategic partners or customers, and go to market together with their battery cells within our EV battery systems. We also intend to seek partnerships or joint ventures with our other major customers, with a particular focus on opportunities that will lead to successful expansion in selected markets and long-term strengthening of our market position.

EV BATTERY SYSTEMS

EV battery systems are the most critical and highest cost component for EV OEMs. An EV battery system comprises of (i) battery cells, which feature a variety of chemistries and form factors; (ii) battery modules, which consist of battery cells grouped in parallel and series; and (iii) other structural, thermal and electrical components and a battery management system, or BMS, in an enclosure.

Battery systems



EV battery systems are designed for specific vehicle models. Key characteristics of an EV battery system include its energy density, charging rate, safety, lifetime and cost. Being a core component of EVs, the development, production and manufacturing of EV battery systems must be implemented with the vehicle specifications as a whole in mind. Only products that have met both regulatory and homologation requirements, as well as EV OEMs’ in-house test and validation requirements can then be built into the corresponding vehicle models. As such, EV battery system suppliers are required to conform to higher technical standards in EDD and higher quality product design, and have a deeper understanding and experience of industry applications.

BUSINESS

It takes a substantial period of time from the initial development to the commercial delivery of an EV battery system, as further described in the section headed “— Engineering, Design and Development — EDD Process” below. EV battery systems are generally customized based on the supplier’s proprietary technology and it would take any supplier a substantial period of time to develop and to test and validate the product, as well as to set up dedicated production lines. As a result, EV OEMs usually strive to establish long-term and stable supply relationships with EV battery system suppliers, leading to a high reliance on them.

OUR PRODUCTS

We primarily design, manufacture and sell products customized to satisfy the requirements of specific industrial sectors and needs of our customers. This includes EV battery systems, and to a lesser extent, auxiliary products including energy storage solutions and BMS in China and overseas. We also provide EV battery system engineering services to customers on an as-needed basis.

We have grown significantly during the Track Record Period. The following table sets forth the revenue breakdown by product line and the revenue breakdown of EV battery systems by business model for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
EV battery systems										
With procurement of battery cells ⁽¹⁾	2,222,321	86.6	4,481,370	80.4	1,931,612	60.8	342,956	67.9	515,017	54.2
Without procurement of battery cells ⁽²⁾	302,908	11.8	1,066,423	19.1	1,147,784	36.2	137,232	27.1	389,667	41.1
	<u>2,525,229</u>	<u>98.4</u>	<u>5,547,793</u>	<u>99.5</u>	<u>3,079,396</u>	<u>97.0</u>	<u>480,188</u>	<u>95.0</u>	<u>904,684</u>	<u>95.3</u>
Others ⁽³⁾	41,432	1.6	26,579	0.5	96,574	3.0	25,153	5.0	44,715	4.7
Total	<u><u>2,566,661</u></u>	<u><u>100.0</u></u>	<u><u>5,574,372</u></u>	<u><u>100.0</u></u>	<u><u>3,175,970</u></u>	<u><u>100.0</u></u>	<u><u>505,341</u></u>	<u><u>100.0</u></u>	<u><u>949,399</u></u>	<u><u>100.0</u></u>

Notes:

- (1) Under this business model, we are responsible for procuring the raw materials, including battery cells.
- (2) Under this business model, our customers are responsible for procuring or providing the battery cells and, in some cases, other non-battery cell materials.
- (3) Mainly includes revenue from the engineering services, sales of energy storage solutions, BMS and materials.

BUSINESS


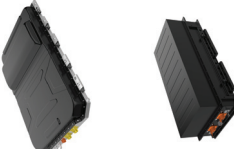





EV Battery Systems

We are a high energy density EV battery systems developer in China. Our latest products have achieved an energy density of approximately 180 Wh/kg, which is higher than the industry average of 140 Wh/kg to 160 Wh/kg in 2023, according to the F&S Report. We offer EV battery systems for a wide array of battery cells comprising various battery chemistries, including LFP and high specific energy density cells, and of different form factors, including cylindrical and prismatic battery cells. The life cycle of EV battery systems depends on the chemistry, quality and consistency of the battery cells used and is affected by various operating conditions, including temperature, charging and discharging rate, over-discharging, vibration and mechanical stress, and battery management system algorithms. The average life cycle of our EV battery systems with NCM/NCA battery cells and LFP battery cells is 1,000 times and 2,000 times, respectively. At the end of life cycle, the EV battery system does not need to be entirely replaced because the end of life cycle only represents that the battery cells have lost peak performance but they can still function. We have also, to a very limited extent, sold EV battery system modules to customers on an as-needed basis. This allows us to provide a full range of battery system solutions to our customers.

BUSINESS

Applications

Our EV battery systems have a wide application across electric passenger, commercial and other EVs, including BEVs (with a particular focus in A00 and A0 size passenger BEVs), PHEVs and HEVs. In 2021, 2022 and 2023 and for the four months ended April 30, 2024, we had designed 79, 108, 130 and 34 EV battery systems that are customized to meet the needs of our customers, respectively, across the following application landscape:

Vehicle type	During the Track Record Period ⁽¹⁾	As of April 30, 2024		As of the Latest Practicable Date				
		Number of EV battery systems		In mass production stage ⁽⁶⁾	In R&D stage ⁽⁵⁾	production stage ⁽⁵⁾	In mass production stage ⁽⁶⁾	
		In R&D stage ⁽⁵⁾	In mass production stage ⁽⁶⁾					BEV applications
Passenger ⁽²⁾	267	27	88	46	78			
Commercial ⁽³⁾	72	25	24	33	25			
Others ⁽⁴⁾	12	8	1	13	1			


Notes:

- (1) Represents number of EV battery system designs that have completed the product definition phase of the design-to-suit process. Our customers may request multiple battery system prototypes for the same EV model.
- (2) A motor vehicle used for transporting no more than nine passengers and luggage.
- (3) A motor vehicle used for transporting goods or more than nine passengers.
- (4) Mainly includes special purpose vehicles.
- (5) R&D stage primarily includes initial prototype, engineering prototype and validation prototype stages as detailed under the section headed “— Sales, Customers and Marketing — EV Battery Systems — Project workflow” below.
- (6) For reasons beyond our control, not all projects that enter the R&D stage would progress to the mass production stage. For example, our customers may cancel certain configurations of EV models or decide not to launch certain EV models or configurations of EV models to the market.

BUSINESS

Select product examples

The following table sets forth four major EV battery systems that we have designed for our customers during the Track Record Period and their key characteristics:

Project name	A	B	C	D
Battery chemistry	NCA	LFP	LFP	LFP
Form factor	Cylindrical	Cylindrical	Prismatic	Prismatic
Technology platform	BEST	BEST	MUST	MUST
Energy capacity	66 kWh	29 kWh	32 kWh	14 kWh
Energy density	151 Wh/kg	129 Wh/kg	124 Wh/kg	112 Wh/kg
Driving range ⁽¹⁾	502 km	301 km	300 km	180 km
Cooling system	Liquid cooling	Natural cooling	Natural cooling	Natural cooling
Total number of vehicles in the field	8,400+	135,000+	27,000+	554,000+
Original launch date	April 2019	June 2022	March 2023	April 2021
Photograph				

Note:

(1) Represents driving range under the New European Driving Cycle, or NEDC.

Other Products

Apart from our EV battery systems, our product portfolio also includes auxiliary products:

- Energy storage solutions.*** Energy storage solutions are an indispensable part of renewable power generation solution set. We design and build a range of customized lithium-ion battery energy storage products to address variable commercial, grid-related and residential needs. Our energy storage solutions can be used for electricity energy storage in the generation, transmission, and distribution process of electricity. They cover supporting equipment for a wide range of applications, including large-scale solar or wind power generation energy storage, grid energy storage, industrial parks, commercial buildings and data centers, energy storage charging stations, communication base stations, backup power supplies and household energy storage.
- BMS.*** In addition to designing BMS as part of the battery systems we develop for customers, we also sell BMS as a separate product to certain customers on an as-needed basis. Our BMS offers a complete solution for monitoring and controlling complex battery systems to ensure they operate at optimal performance while safely maintaining ideal operating conditions.

BUSINESS

SALES, CUSTOMERS AND MARKETING

EV Battery Systems

As an EV battery system solutions provider, we strive to explore different business models to address the specific needs of different EV value chain players. For the majority of our customers, we develop tailor-made battery systems compatible to their EVs. Under this arrangement, we are responsible for procuring raw materials, including battery cells, which comply with the prescribed specifications. Sales of EV battery systems with procurement of battery cells accounted for 86.6%, 80.4%, 60.8% and 54.2% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively.

On the other hand, we have increasingly entered into arrangements with EV OEM and battery cell manufacturer customers where they procure battery cells directly from battery cell manufacturers or provide by themselves, while we are responsible for procuring the other non-battery cell materials. We also, to a much smaller extent, enter into battery assembly partnerships with select customers on an as-needed basis. Under this arrangement, our customers source both battery cells and other non-battery cell materials (such as casing, harness and ICs). Revenue from battery assembly partnerships is recognized under EV battery systems without procurement of battery cells. These arrangements where our customers source battery cells directly alleviate us from concerns of the credit risk of customers and warranty liability, and allow us to focus our core competency of developing customized EV battery systems. Sales of EV battery systems without procurement of battery cells accounted for 11.8%, 19.1%, 36.1% and 41.1% of our total revenue for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively. During the Track Record Period, our sales of EV battery systems under both business models, namely with and without procurement of battery cells, covered China, India and the United States. For further details of our revenue recognition of the two business models, see the section headed “Financial Information — Critical Accounting Policies and Estimates — Revenue Recognition.”

Irrespective of the business model, we play a crucial role in facilitating the trilateral cooperation between ourselves, our customers and battery cell suppliers in terms of EDD activity, logistics arrangement, and commercial negotiation. In particular, we connect relevant parties and align product requirements and logistics based on the certain specifications of the products and our EDD process. We also work with EV OEM customers, provide our suggestions from the perspective of design and production of EV battery systems and recommend suitable battery cells for our customers to choose and decide whether to procure directly or through us. Our role ensures seamless collaboration and value creation, regardless of the purchasing channel.

BUSINESS

Our Sales and Marketing Department

All of our sales were conducted through direct sales and we had not engaged any distributors for the sale of our products during the Track Record Period. Our sales and marketing department is responsible for establishing and maintaining relationships with our customers as well as identifying new business opportunities. The following table sets forth the breakdown of revenue by geographic area and vehicle size for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
EV battery systems										
China										
A00	2,188,510	85.3	4,374,775	78.5	838,503	26.4	193,488	38.3	132,838	14.0
A0	81,487	3.2	351,722	6.3	877,149	27.6	38,802	7.7	99,075	10.4
A and above	162,495	6.3	639,920	11.5	373,846	11.8	137,017	27.1	237,489	25.0
Others ⁽¹⁾	31,516	1.2	53,842	1.0	117,275	3.7	6,533	1.3	43,073	4.6
	<u>2,464,008</u>	<u>96.0</u>	<u>5,420,259</u>	<u>97.2</u>	<u>2,206,773</u>	<u>69.5</u>	<u>375,840</u>	<u>74.4</u>	<u>512,475</u>	<u>54.0</u>
India ⁽¹⁾⁽²⁾	56,264	2.2	90,132	1.6	822,341	25.9	96,879	19.2	377,835	39.8
United States ⁽¹⁾	4,948	0.2	37,186	0.7	50,281	1.6	7,469	1.5	14,374	1.5
	<u>61,212</u>	<u>2.4</u>	<u>127,318</u>	<u>2.3</u>	<u>872,622</u>	<u>27.5</u>	<u>480,188</u>	<u>95.0</u>	<u>904,684</u>	<u>95.3</u>
Others ⁽³⁾	41,412	1.6	26,796	0.5	96,575	3.0	25,153	5.0	44,715	4.7
Total	<u><u>2,566,632</u></u>	<u><u>100.0</u></u>	<u><u>5,574,372</u></u>	<u><u>100.0</u></u>	<u><u>3,175,970</u></u>	<u><u>100.0</u></u>	<u><u>505,341</u></u>	<u><u>100.0</u></u>	<u><u>949,399</u></u>	<u><u>100.0</u></u>

Notes:

- (1) Mainly includes commercial and special purpose vehicles.
- (2) The products we sold in India during the Track Record Period were EV battery systems for commercial and special purpose vehicles and passenger vehicles. In 2021 and 2022, the EV battery systems we sold in India were manufactured in and imported from China. Starting from 2023, with the localization of our manufacturing capacity in India, we manufactured EV battery systems in India also with the support of our manufacturing facilities in China for our sales of EV battery systems in India.
- (3) Mainly includes revenue from provision of EV battery system engineering services and sales of energy storage solution, BMS and materials.

BUSINESS

The following table sets forth the breakdown of gross profit and gross profit margin by geographic area for the periods indicated:

	Year ended December 31,						Four months ended April 30,				
	2021		2022		2023		2023		2024		
	<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		<i>Gross</i>		
	<i>Gross</i>	<i>profit</i>	<i>Gross</i>	<i>profit</i>	<i>Gross</i>	<i>profit</i>	<i>Gross</i>	<i>profit</i>	<i>Gross</i>	<i>profit</i>	
<i>profit</i>		<i>margin</i>		<i>profit</i>		<i>margin</i>		<i>profit</i>		<i>margin</i>	
<i>RMB'000</i>		<i>%</i>		<i>RMB'000</i>		<i>%</i>		<i>RMB'000</i>		<i>%</i>	
	<i>(unaudited)</i>										
China	221,471	8.9	435,020	8.0	361,030	15.8	52,683	13.4	110,843	20.8	
India	2,545	4.5	4,760	5.3	150,871	18.3	18,988	18.8	5,220	1.3	
United States	9,078	69.7	17,344	43.1	30,175	48.7	2,369	24.6	11,903	59.4	
Total	<u>233,094</u>	9.1	<u>457,124</u>	8.2	<u>542,076</u>	17.1	<u>74,040</u>	14.7	<u>127,966</u>	13.5	

For details of the analysis of gross profit margin by geographic area during the Track Record Period, see the section headed “Financial Information — Description of Selected Consolidated Statement of Comprehensive Income Line Items — Gross Profit and Gross Profit Margin — By geographic area.”

We are focused on maintaining and strengthening our relationships with major customers, which were methodologically selected to maximize our business opportunities. In particular, to cater to the locations of our customers, our sales and marketing staff are strategically located in China, India and the United States. We had a total of 141 sales, marketing and service staff as of April 30, 2024. Through maintaining regular and ongoing dialogues with our existing customers, we are able to gain better insights of their needs and preferences, and ultimately deliver products that meet their requirements and maintain the relationships with them. Our sales and marketing department works closely with our internal teams, including customer service, EDD, production, and quality control. These communications on the topics of product specification, quantity, delivery schedule and shipment ensure smooth engineering, manufacturing, and service of our products.

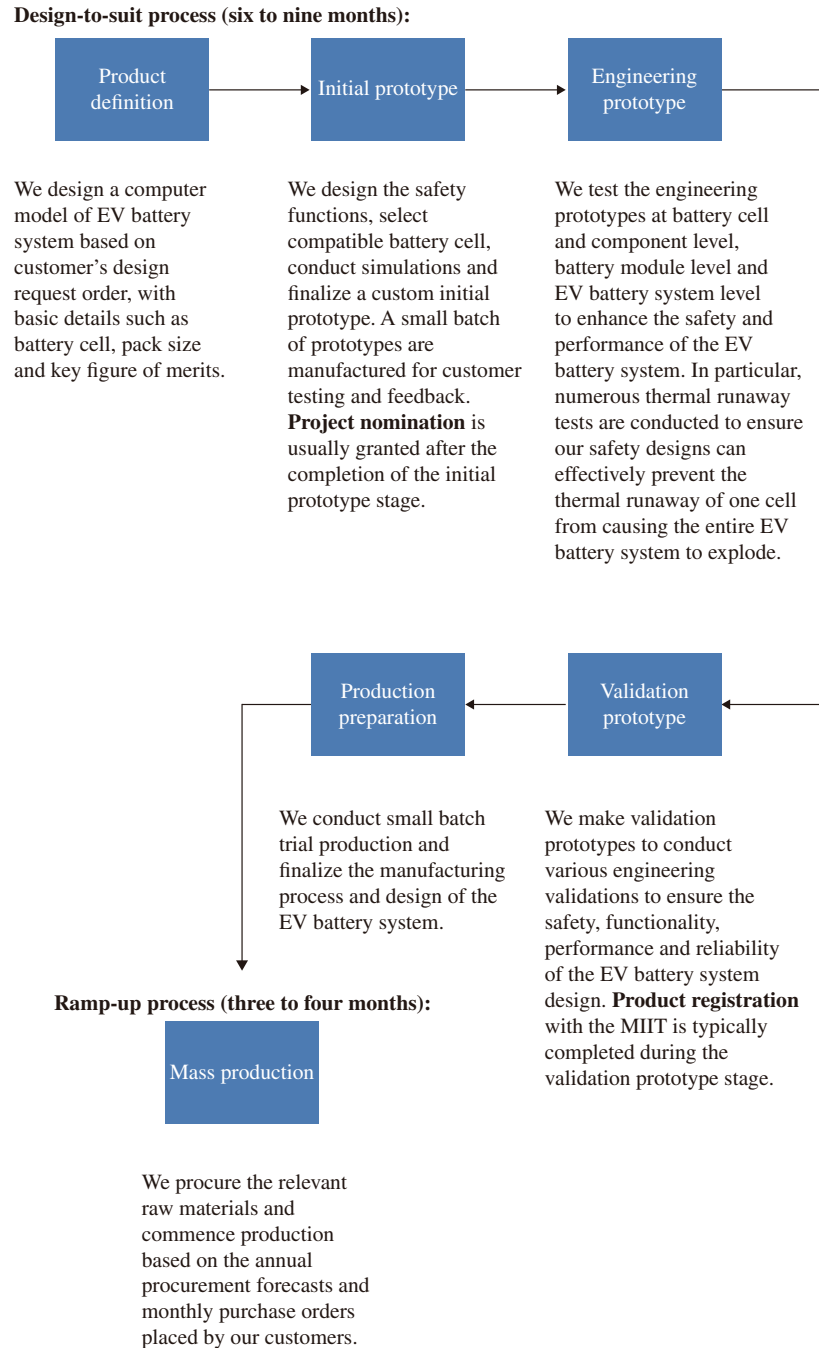
Our sales and marketing teams engage with potential new customers early on during their EV model conceptual design phase, by presenting our latest product concepts and success stories. In particular, our strong relationships with leading players in the EV value chain provide credibility to our brand and reputation. As our product pipeline grows, we believe our existing and potential customers and partners will continue to be a source of organic growth.

BUSINESS

Project workflow

We collaborate with our customers closely to develop tailor-made high performance EV battery systems that meet the technical specifications for specific EV models. It takes a substantial period of time from the initial development to the commercial delivery of a battery system.

The key phases of a typical project are illustrated below:



BUSINESS

Contractual relationship with customers

The majority of our customers enter into legally binding master supply agreements with us for a term that generally ranges from one to five years. Our customers will then place purchase orders on a project-by-project basis. The salient terms of a typical master supply agreement are as follows:

<u>Salient terms</u>	<u>Description</u>
Scope of work and quality requirements	We shall promptly respond to customer purchase orders, provide products that adhere to relevant laws, regulations, or national standards, and fulfilling the technical requirements agreed upon by both parties.
Minimum volume guarantee	Our customers are generally not obliged to purchase any fixed or minimum number of EV battery systems from us, and we are not obliged to supply to the relevant customers any fixed or minimum number of EV battery systems.
Pricing	Generally, the price of our EV battery systems will be set out in each purchase order based on market price at the time of purchase. For sales of EV battery systems with procurement of battery cells, the cost proposal would typically set out that the cost of battery cells shall be borne by our customers, subject to fluctuation of the market price of battery cells.
Delivery	<p>We are generally responsible for all delivery arrangements to deliver products to the location designated by the customer at our own cost.</p> <p>We generally provide approximately 10 days to a month's worth of inventory required by the customer. We have purchased property insurance and our insurer is liable for any damage or loss of products unless such damage or loss was caused by our mishandling of the products.</p>
Inspection, acceptance and product returns	Customers shall conduct product inspection with respect to the amount, appearance, type, quality and package of relevant products and claim in writing to us for any replacement, repair or other relevant remedies within a period upon delivery of the products, which is typically not specified in the agreement. Under limited circumstances, our customers shall be entitled to return to us any products that do not meet the agreed quality standard for repair as agreed in the agreement. We generally accept product return within 14 days upon receipt of products.

BUSINESS

<u>Salient terms</u>	<u>Description</u>
Payment terms	<p>Our customers generally pay us in the following ways:</p> <ul style="list-style-type: none">(i) within one week after the customer officially places the purchase order, 30% of the total payment shall be paid as an advance payment, 65% of the total payment shall be paid within 90 days after the arrival of the goods and the bill of lading, and the remaining 5% shall be paid as a retention sum within 180 days after the arrival of the goods and the bill of lading; or(ii) we will issue an invoice after the customer checks and confirms that the product quality is satisfactory, and the customer shall typically make payment on a fixed date within 60 days of invoice date.
Credit terms	<p>The credit terms are generally within 30 to 90 days of delivery, which are typically negotiated between both parties and determined by considering factors such as our customers' financial position and capabilities, business scale and our historical experience in transacting with relevant customers.</p>
Liquidated damages	<p>Our customers are generally entitled to claim liquidated damages against us if we fail to complete the project within the contract period. Except being approved by our customers, any delay in our work will cost us liquidated damages calculated on a daily basis with reference to the rate or amount specified in the service contract. Furthermore, our customers are generally entitled to claim liquidated damages if we breach a specific term of the contract, such as delay in completion of projects, using sub-standard materials, or failing to conform prescribed quality or technical standards.</p> <p>During the Track Record Period, the aggregate amount of liquidated damages paid by us was not material. Our Directors do not expect any material delay in the time of completion of projects in progress as of the Latest Practicable Date which is likely to cause material liquidated damages to be imposed on us.</p>

BUSINESS

<u>Salient terms</u>	<u>Description</u>
Conditions for terminating and renewing the agreements	The agreements may generally be terminated by either party if the other party fails to perform any of its obligations under the agreement and fails to rectify that breach within a prescribed time period with written notice, or by mutual agreement of both parties. The agreements are generally renewed upon agreement or automatically renewed for a new term if the parties continue their seller-buyer relationships.
Warranty	For EV battery systems, we typically provide a warranty period in terms of year, kilometer or charging cycles as negotiated with customers. For other products, including energy storage solutions, we generally provide a warranty period of three to five years. For any product quality issues, we will repair or replace items under warranty, except for product damage caused by the customer’s own improper operation. For details of our warranty, see the section headed “— After-Sales Service and Warranty” below.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material breach of agreements by customers.

Pricing Policy

As our business is project based and tailored individually for each customer, pricing is determined on a project-by-project basis. The cost of battery cells and other raw materials that are purchased or specified by our customers but invoiced to us by the suppliers are typically passed on to our customers. We typically provide customers with quotations at each key project phase before initiating any prototype or final EV battery system production. We also renegotiate pricing with customers when there is a significant increase in the market price of any major raw materials at the time we purchase these materials. We generally take a cost-plus approach to pricing our products, taking into account production costs such as raw material costs, the level of time and technical skill required, quantity of purchase order, delivery location, labor cost and relationship with our customers.

Seasonality

The demand for our products is directly related to the market demand for EVs. According to the F&S Report, demand for EVs in China is generally higher at the end of the year but lower at the beginning of the year. This is primarily because of the consumption habits of PRC consumers, and government subsidy changes which generally become effective at the

BUSINESS

beginning of a year. As such, we generally experience a decline in sales in China in the first quarter, especially during the Chinese New Year holiday, while sales are generally higher in the fourth quarter. Our sales and results of operations are likely to continue to fluctuate from period to period due to seasonality.

Value Chain Partners

As an EV battery system solutions provider, we are distinctively placed to provide unique values to different EV value chain players. We have and will continue to explore flexible partnership models that will allow us to leverage on each other’s strengths and networks. During the Track Record Period, we had 77 value chain partners, consisting of the following:

- **Battery cell manufacturer suppliers or customers.** These battery cell manufacturers rely on our product development and manufacturing capability to sell their battery cells, within our EV battery systems, to a wider group of customers with competitive safety features and cost. During the Track Record Period, we maintained close business relationships with 18 battery cell manufacturer suppliers (three of which were also our battery cell manufacturer customers) and seven battery cell manufacturer customers, including eight of the top 10 PRC battery players by shipment volume in 2023 according to the F&S Report. In addition to CATL, one of the top PRC battery players were also our top five customers in 2023.
- **EV OEM customers.** During the Track Record Period, we had 55 EV OEM customers. Our EV OEM customers generally manufacture EVs for their own brands. For EV OEMs, we function as a one-stop-shop of tailored EV battery systems, and help them increase their bargaining power in a highly concentrated battery cell market by essentially aggregating demands of multiple EV OEMs. In addition, we formed a joint venture company with JAC, one of our major customers during the Track Record Period, in February 2017 as further described in the section headed “— Sales, Customers and Marketing — Major Customers — Joint venture with JAC” above.

For further details of our collaborations with customers and suppliers, see the sections headed “— Sales, Customers and Marketing — Our Sales and Marketing Department — Contractual relationship with customers” and “— Raw Materials and Suppliers — Suppliers” below. Our extensive portfolio of EV OEM customers is evidence of the confidence these entities place in the reliability and quality of our EV battery systems. Furthermore, our ability to convert battery cell manufacturers from suppliers into customers underscores our value proposition at various stages of the value chain. While battery cell manufacturers may have expertise in developing and optimizing various battery chemistries, they generally lack the ability to provide customized solutions to EV OEMs, given their need to increase scale. In particular, out of the 47 new customers we developed during the Track Record Period, 10 of them (including seven battery cell manufacturers and three EV OEMs), while capable of developing battery systems themselves, have engaged us to develop EV battery systems. We believe we won these projects mainly because of our ability to develop customized battery

BUSINESS

systems, efficiently ramp-up production and deliver cost-effective solutions. In addition, by collaborating with us, these value chain players can capitalize on our established infrastructure and expertise, thereby circumventing the substantial expenditure of time and resources that would be required to develop their own EV battery systems. This strategic partnership enables them to concentrate on their core competencies, fostering a mutually beneficial scenario for all parties involved.

Major customers

Our major customers are primarily EV OEMs. The table below sets out the background information about our top five customers in each year/period during the Track Record Period indicated:

Customer ⁽¹⁾	Categories of EV battery systems sold	Battery cell procurement ⁽²⁾	Revenue	Approximate	Number of years	Typical credit term	Payment method
				percentage of our total revenue	of business relationship with us as of April 30, 2024		
			RMB'000	%			
<i>Year ended December 31, 2021</i>							
Customer A ⁽³⁾	Passenger: A00	By us	1,222,576	47.6	6	30-60 days	Bank acceptance bill
Customer B ⁽⁴⁾	Passenger: A00, A and above Commercial: Light truck	By us	861,344	33.6	13	60 days	Tri-party net settlement ⁽⁸⁾ , bank transfer and bank acceptance bill
Customer C ⁽⁵⁾	Passenger: A00	By customer	284,530	11.1	2	60-90 days	Bank acceptance bill
Customer D ⁽⁶⁾	Commercial: Bus	By us	58,209	2.3	7	30 days	Bank transfer
Customer E ⁽⁷⁾	Passenger: A0	By us	47,398	1.8	7	15 days or prepayment	Bank transfer
			2,474,057	96.4			

BUSINESS

Customer ⁽¹⁾	Categories of EV battery systems sold	Battery cell procurement ⁽²⁾	Approximate percentage of our total revenue		Number of years of business relationship with us as of	Typical credit term	Payment method
			Revenue	revenue	April 30, 2024		
			RMB'000	%			
<i>Year ended December 31, 2022</i>							
Customer A ⁽³⁾	Passenger: A00, A and above	By us	2,563,404	46.0	6	30-60 days	Bank acceptance bill
Customer B ⁽⁴⁾	Passenger: A00, A0, A and above	Certain projects by us and certain projects by customer	1,745,622	31.3	13	60 days	Tri-party net settlement ⁽⁸⁾ , bank transfer and bank acceptance bill
Customer C ⁽⁵⁾	Passenger: A00, A0	By customer	925,703	16.6	2	60-90 days	Bank acceptance bill
Customer D ⁽⁶⁾	Commercial: Bus	By us	106,375	1.9	7	30 days	Bank transfer
Customer E ⁽⁷⁾	Passenger: A0	By us	89,156	1.6	7	Prepayment	Bank transfer
			<u>5,430,260</u>	<u>97.4</u>			
<i>Year ended December 31, 2023</i>							
Customer B ⁽⁴⁾	Passenger: A00, A0, A and above	Certain projects by us and certain projects by customer	830,288	26.1	13	60 days	Tri-party net settlement ⁽⁸⁾ , bank transfer and bank acceptance bill
Customer D ⁽⁶⁾	Commercial: Bus Passenger: A00	By us	779,846	24.6	7	30 days	Bank transfer
Customer A ⁽³⁾	Passenger: A00, A0, A and above	Certain projects by us and certain projects by customer	604,021	19.0	6	30 days	Bank acceptance bill
Customer C ⁽⁵⁾	Passenger: A00, A0	By customer	343,300	10.8	2	60-90 days	Bank acceptance bill
Customer F ⁽⁹⁾	Passenger: A00	By customer	236,357	7.4	1	30-60 days	Bank acceptance bill
			<u>2,793,811</u>	<u>88.0</u>			

BUSINESS

Customer ⁽¹⁾	Categories of EV battery systems sold	Battery cell procurement ⁽²⁾	Approximate percentage of our total revenue		Number of years of business relationship with us as of April 30, 2024	Typical credit term	Payment method
			Revenue	Revenue	Revenue		
			<i>RMB'000</i>	%			
<i>Four months ended April 30, 2024</i>							
Customer D ⁽⁶⁾	Commercial: Bus Passenger: A00	Certain projects by us and certain projects by customer	377,228	39.7%	7	30 days	Bank transfer
Customer A ⁽³⁾	Passenger: A00, A0, A and above	Certain projects by us and certain projects by customer	185,908	19.6%	6	30 days	Bank acceptance bill
Customer B ⁽⁴⁾	Passenger: A00, A0, A and above	Certain projects by us and certain projects by customer	137,345	14.5%	13	60 days	Tri-party net settlement ⁽⁸⁾ , bank transfer and bank acceptance bill
Customer C ⁽⁵⁾	Passenger: A00, A0	By customer	110,723	11.7%	2	60-90 days	Bank acceptance bill
Customer F ⁽⁹⁾	Passenger: A00	By customer	38,213	4.0%	1	30-60 days	Bank acceptance bill
			<u>849,417</u>	<u>89.5%</u>			

Notes:

- (1) The revenues attributable to each of the customers is the aggregate revenue of that customer and its associated companies.
- (2) Where battery cells are procured or supplied by the customer, revenue attributable to those projects do not include battery cell price.
- (3) Customer A is a top passenger EV manufacturer in China headquartered in Liuzhou, Guangxi Province, China. It primarily focuses on passenger vehicle market covering various models and sizes of passenger vehicles. We became acquainted with Customer A through our business development efforts. We have entered into a one-year master supply agreement with Customer A, which expired on December 31, 2023 but renewed for a one year term. Customer A would then place purchase orders on a project-by-project basis.
- (4) Customer B is a manufacturer of passenger and commercial EVs headquartered in Hefei, Anhui Province, China, listed on the Shanghai Stock Exchange with a market capitalization of RMB34.2 billion as of April 30, 2024. We became acquainted with Customer B through our business development efforts. We have entered into a long term master supply agreement with Customer B, which remains valid as we continue our seller-buyer relationship. Customer B would then place purchase orders on a project-by-project basis.

BUSINESS

- (5) Customer C is a world leading battery cell manufacturer headquartered in Ningde, Fujian Province, China, listed on the Shenzhen Stock Exchange with a market capitalization of RMB891.2 billion as of April 30, 2024. We became acquainted with Customer C through our business development efforts. We have entered into a three-year master supply agreement with Customer C, which shall expire in March 2027. Customer C would then place purchase orders on a project-by-project basis.
- (6) Customer D is a leading EV manufacturer in India, listed on the National Stock Exchange of India and the Bombay Stock Exchange, with a market capitalization of approximately INR3.7 trillion as of April 30, 2024. It mainly focuses on passenger vehicle, utility vehicle, bus and truck market segments. We became acquainted with Customer D when we successfully developed a battery system for their electric bus model in 2016. We have entered into a 10-year master supply agreement with Customer D, which shall expire on January 13, 2033. Customer D would then place purchase orders on a project-by-project basis.
- (7) Customer E is a start-up passenger EV manufacturer headquartered in Putian, Fujian Province, China. It mainly focuses on passenger BEV market, especially SUV segment. We became acquainted with Customer E through our business development efforts. We have entered into a five-year master supply agreement with Customer E, which expired on May 31, 2022 but renewed for a term of two years. Customer E would then place purchase orders on a project-by-project basis.
- (8) Customer B, Supplier A, certain other raw material suppliers and us have entered into tri-party agreements. Under these arrangements, we consolidate our invoice with those of raw material suppliers, and Customer B directly settles the raw material costs with the respective suppliers. The amount of settlements involved were RMB570.6 million, RMB1,627.6 million, RMB600.5 million and RMB28.8 million in 2021, 2022 and 2023 and for the four months ended April 30, 2024, respectively. Other than JAC, none of the parties involved in the tri-party agreements have any other past or present relationship with the Company, its subsidiaries, their shareholders, directors, or senior management or any of their respective associates.
- (9) Customer F is a subsidiary of a leading chemical producer and battery cell manufacturer headquartered in Jiaozuo, Henan Province, China listed on the Shenzhen Stock Exchange with a market capitalization of RMB16.5 billion as of April 30, 2024. Customer F is a new customer in 2023 and we became acquainted with Customer F through our business development efforts. We have entered into a one-year master supply agreement with Customer F, which is automatically renewed for one year upon expiration. Customer F would then place purchase orders on a project-by-project basis.

We generally give our customers credit terms from 30 to 90 days from the date of our invoice which we will determine after taking into account our historical relationship with, and the creditworthiness of, each customer as well as our cash flow. For certain customers with relatively less years of business relationship with us, we will request payment before the delivery of products. Sales payments are normally settled by bank transfers or bank acceptance bills. Our customers in China settle the payments with us in Renminbi. Customers in India settle the payments with us in India Rupee and customers in the United States settle the payments with us in U.S. dollar.

None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our top five customers for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, and all of them were Independent Third Parties, save for JAC, with whom we have a joint venture as described below. During the Track Record Period, none of our major customers were also a supplier to us (or vice versa) save as disclosed under the section headed “— Overlapping Customers and Suppliers” below.

BUSINESS

Joint venture with JAC

To strengthen our partnerships with existing customers, we established an EV battery system manufacturing joint venture, Octillion JV, with JAC, one of our major customers during the Track Record Period, in February 2017. According to the F&S Report, it is a common practice in the industry to form strategic partnerships between EV OEMs and battery system developers. This allows EV OEMs to market their businesses as technologically proficient by partnering with battery system developers who possess the requisite product technology. Octillion JV commenced operations at the end of 2017 and operates our Anqing facility, which commenced operations in May 2021. JAC and we each own 50% of the joint venture. Under this joint venture arrangement with JAC, we hold the majority voting rights on the board of directors, and JAC represents and warrants that it will vote at shareholders’ meetings in the same manner as us on operating matters. We are responsible for the operation and management of the joint venture, which includes the right to nominate general managers, assisting with EV battery system design and development, equipment procurement and production. On the other hand, JAC is primarily responsible for assisting the joint venture with procuring production sites and assisting with product sales. The salient terms of our joint venture agreement are as follows:

Salient terms	Description
Term of operation	Octillion JV shall operate for a term of 30 years, to be renewed upon mutual agreement of both parties.
Trademarks	Octillion JV may use the trademarks held by JAC and us according to the terms and conditions set forth in separate trademark license agreement to be entered into.
Allocation of Octillion JV’s intellectual property rights	<p>The intellectual property rights developed independently by Octillion JV shall be solely owned by Octillion JV.</p> <p>Upon termination of the joint venture agreement, expiration of Octillion JV’s term of operation or dissolution of Octillion JV, the intellectual property rights shall be shared by JAC and us on a pro rata basis of our capital contribution.</p>
Pre-emptive right	Both parties each have preemptive right to purchase newly issued securities before they are offered to others.
Right of first refusal	Neither party may transfer their interest in Octillion JV without the other party’s consent. Both parties each have right of first refusal.

BUSINESS

The total amount of sales from the Octillion JV to JAC was RMB861.3 million in 2021, RMB1,745.6 million in 2022, RMB830.3 million in 2023 and RMB136.9 million in the four months ended April 30, 2024. For products sold from the Octillion JV to JAC, we take a cost plus a gross profit approach. The prices and terms of the transactions are determined with reference to (i) production costs such as raw material costs; (ii) the level of time and technical skill required; (iii) quantity of purchase order; (iv) delivery location; (v) labor cost; and (vi) the price and terms we offer to independent third parties on identical or similar products such that, in any event, such price and terms shall not be lower or more favorable than the price and terms we offer to independent third parties. For further details of the salient terms of a typical master supply agreement, see the section headed “— Contractual relationship with customers” above.

Customer concentration

Our top five customers in each year/period during the Track Record Period accounted for 96.4%, 97.4%, 88.0% and 89.5% of our total revenue for the respective year/period. Our top customer in each year/period during the Track Record Period, namely Customer A, Customer A, Customer B and Customer D, respectively, accounted for 47.6%, 46.0%, 26.1% and 39.7% of our total revenue for the respective year/period. According to the F&S Report, such customer reliance is not uncommon within the industry. In particular, four of the six largest PRC battery cell manufacturers that generated over 70% of their revenue from EV battery business relied heavily on their top five customers in 2023. In light of the above, our Directors are of the view that our reliance on top five customers is not uncommon within the industry. For details of our concentration risk, see the section headed “Risk Factors — Risks Related to Our Business and Industry — Increasing reliance on our top five customers.”

To the best knowledge of our Directors, besides our Group, our top five customers also engage other suppliers for EV battery systems for the same vehicle models. It is common within the industry for EV OEMs and battery cell manufacturers to engaged more than one battery system suppliers for the same vehicle models in order to reduce the risk of supply shortage and achieve more favorable price, according to the F&S Report.

The overall increase in customer concentration from 96.4% in 2021 to 97.4% in 2022 was primarily driven by (i) the popularity of their EV models and their market share in the segments they compete in, leading to their significant contribution to our business; and (ii) the business model our customers adopt.

Revenue contribution from our top five customers decreased from 97.4% in 2022 to 89.5% in the four months ended April 30, 2024, primarily as a result of the growth of our customer base as described in the section headed “Business Sustainability — Customer base growth” below. We believe our customer concentration will continue to decrease as our customer base expands.

BUSINESS

There were certain changes in the composition of our top five customers in each year/period during the Track Record Period. In particular:

- Customer A, our largest customer in each of 2021 and 2022, descended to become our third largest customer in 2023 and second largest customer in the four months ended April 30, 2024. The decrease in revenue contribution from Customer A from 46.0% to 19.0% of our total revenue in 2022 and 2023, respectively, was primarily due to the shift from Customer A historically purchasing EV battery systems from us with procurement of battery cells to purchasing most of its new EV battery system projects without procurement of battery cells in 2023. The shift resulted in the exclusion of battery cell cost from our revenue and cost of revenues, which in turn decreased its contribution in our overall revenue.
- Customer B, our second largest customer in each of 2021 and 2022, ascended to become our largest customer in 2023, then descended to third largest customer in the four months ended April 30, 2024. In particular, revenue from Customer B accounted for 33.6% of our total revenue in 2021. This was mainly driven by the launch of a popular EV model by Customer B, which was one of the top 10 best-selling A00 class EV models in 2021, according to the F&S Report.
- Customer C became our third largest customer in 2021 within the same year of initiating our partnership. It remained as our third, fourth and fourth largest customer in 2022, 2023 and the four months ended April 30, 2024, respectively. The decrease in revenue from Customer C in 2023 was attributable to Customer C's development of new products for larger energy capacity segments with us in the first half of 2023 and only increased their purchase orders for mass production in the third quarter of 2023.
- Customer D, our fourth largest customer in each of 2021 and 2022, ascended to become our second largest customer in 2023 and largest customer in the four months ended April 30, 2024. Revenue from Customer D increased from 1.9% to 39.7% of our total revenue in 2022 and four months ended April 30, 2024, respectively, primarily as a result of our localized manufacturing capabilities and growth of the EV market in India. As of April 30, 2024, we had seven projects with Customer D in product development stage, of which five are expected to commence mass production by the end of 2024. These battery system products were designed for A and above size segment BEVs, as well as electric trucks.
- Customer E, one of our five largest customers in each of 2021 and 2022, dropped out of the top five in 2023. While revenue from Customer E remained relatively stable at RMB89.2 million and RMB82.4 million in 2022 and 2023, respectively, revenue contribution from Customer F in 2023 was higher. Customer F ascended to our top five customers within the same year of initiating our partnership, underscoring the immediate value and impact of our collaboration.

BUSINESS

Despite a high concentration of our top five customers in each year/period during the Track Record Period, we consider that our business is sustainable on the following grounds:

- We have established long-term business relationships with our top five customers in each year/period during the Track Record Period for up to 13 years and an average of more than six years as of April 30, 2024. We believe that our satisfactory performance over the years has helped us secure recurring business opportunities from these customers. In addition, according to the F&S Report, EV battery system suppliers face relatively low risk of substitution on a project. This is because:
 - (i) EV battery systems are generally customized based on the supplier’s proprietary technology and it would take a substantial period of time for a new supplier to develop, test and validate the prototypes and product, as well as to develop, set up and conduct test runs of dedicated production lines for a specific EV model. According to the F&S Report, the average design-to-suit cycle in the industry is approximately 12 months, while the ramp-up cycle typically takes six to eight months. For further details of the process from initial development to commercial delivery of an EV battery system, see the section headed “— Sales, Customers and Marketing — Our Sales and Marketing Department — Project workflow” above and “— Engineering, Design and Development — EDD process — Customized concurrent engineering with customers” below; and
 - (ii) EV OEMs typically conduct an extensive evaluation process on new EV battery system suppliers. This process includes assessing the supplier’s EDD capabilities, examining their past EDD performance, evaluating their manufacturing capabilities, scrutinizing their products in the field, and considering any incidents related to product warranties. Once a supplier is selected, replacing them would involve repeating this extensive evaluation process. The mutual reliance creates a stable and sustainable business relationship.
- In 2017, we formed a joint venture with one of our largest customers during the Track Record Period, JAC, a leading EV OEM in China. As such, we believe there will be a strong and stable demand for our products from JAC in the future. For further details of our joint venture with JAC, see the section headed “— Major Customers” above.
- We have valid master supply agreements with each of our top five customers and a strong pipeline of nominated EV battery system projects on hand from our top five customers. As of April 30, 2024, we had 74 nominated EV battery system projects from top five customers, involving 12 automobile brands and covering passenger BEVs of A00, A0, A and above size as well as commercial BEVs. As of April 30, 2024, we had 22 and 30 nominated EV battery system projects on hand from Customer A and Customer B, respectively. We are also developing multiple products for EV models that Customer C, Customer D and Customer F are planning to launch

BUSINESS

in 2024. For instance, a major A0 size EV model for Customer C was launched in July 2024 and a major A size EV model for Customer D is expected to be launched in the third quarter of 2024. We do not expect our relationship with our top five customers to deteriorate or terminate.

- We believe that our customized offerings would further complement our attractiveness to, and service capability for, customers and enhance customer stickiness. In particular, we have established local manufacturing facilities near Customer D in Pune, India and the relevant daily operations, procurement and manufacturing in India are all carried out through local employees hired in India, which can largely weaken the impact of geopolitical tensions between China and India. We have also entered into a 10-year master supply agreement with Customer D which shall expire on January 13, 2033. Based on the aforementioned, our Directors are of the view that our relationship with Customer D is mutually beneficial and we are a key and valuable business partner to Customer D. As such, it is unlikely for our relationship with Customer D to materially and adversely change.
- Our top customers accounted for a significant portion of the EV market during the Track Record Period, according to the F&S Report. By focusing on customer depth over width, we can provide better service and build strong relationships with our key customers. This strategic decision has proven successful during the Track Record Period.
- We have successfully expanded and diversified our customer base as set out in the section headed “— Customer movement” below. In particular, we secured seven of the 10 largest automotive OEMs in China to develop battery systems for their EV models in the past five years, according to the F&S Report. As a result, revenue contribution from our top five customers decreased accordingly from 97.4% in 2022 to 89.5% in the four months ended April 30, 2024, and the number of non-top five EV battery system customers also increased from 13 in 2021 to 41 in the four months ended April 30, 2024. In India, we have also been nominated by five new OEM customers, in addition to Customer D, to develop 10 EV battery system projects as of April 30, 2024. These five new OEMs are all leading or well-known players in the commercial or passenger vehicle market in India. As of April 30, 2024, we had started generating revenue from three of the five new OEM customers. We expect to further reduce our reliance on existing customers and attract new ones.
- We manufactured 133,500 units and 72,503 units of EV battery systems during the four months ended April 30, 2024 and two months ended June 30, 2024, respectively. According to the F&S Report, the EV battery system industry in China is expected to grow from 12.1 million installed units in 2024 to 24.7 million installed units in 2028, at a CAGR of 19.6%. Given this expected growth, we believe there will be an increasing demand for our products in the future to sustain our development.

BUSINESS

- We have a strong pipeline of projects to sustain our development. As of June 30, 2024, we had 143 nominated EV battery system projects on hand, representing an increase of approximately 5.1% from 136 nominated EV battery system projects on hand as of April 30, 2024. Therefore, we consider that we are able to maintain a sustainable business growth.

Customer movement

We have expanded and will continue to expand our customer base by establishing relationships with customers that are strategically selected to maximize our business opportunities. We prioritize customers with large market share in the EV sector. In the past five years, we have secured seven of the 10 largest automotive OEMs in China in 2023 to apply our battery systems into their EV models, according to the F&S Report. As of the Latest Practicable Date, we had 48 customers, representing 47 automobile brands, that purchase EV battery systems from us. The table below sets out the changes in the number of EV battery system customers and revenue contribution from new EV battery system customers during the Track Record Period:

	Year ended December 31,			Four months ended
	April 30,			
	2021	2022	2023	2024
Number of customers as of the beginning of the period	18	32	35	44
Addition of new customers ⁽¹⁾	18	10	13	6
Existing customers with no purchase or product under development ⁽²⁾	(4)	(7)	(4)	(4)
Number of customers as of the end of the period	32	35	44	46

Notes:

- (1) Revenue from new EV battery system customers amounted to RMB287.9 million, RMB12.9 million, RMB100.8 million and RMB3.3 million for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively, representing 11.2%, 0.2%, 3.2% and 0.4% of our revenue for the same periods, respectively.
- (2) Customers that did not purchase any products from us or collaborate with us in the development of new products in the year during the Track Record Period.

BUSINESS

The turnover rate of our EV battery system customers was 22.2%, 21.9%, 11.4% and 9.1% in 2021, 2022 and 2023 and for the four months ended April 30, 2024, respectively. The primary reason for this turnover was that some of our EV OEM customers (mainly those from outside of China) did not ultimately launch a designated EV model after engaging us to develop the battery system, and therefore did not purchase any products from us for the remaining duration of the Track Record Period. On the other hand, for our EV battery system customers with EV battery systems in mass production stage, the turnover rate was significantly lower, with only one motorbike customer terminating their contract after they discontinued their product.

Delivery Arrangement

We engage external logistics companies, which are Independent Third Parties, to transport and deliver our products to the locations designated by our customers. We select logistics service providers on the basis of their track record, distribution network coverage and scale of operation. We usually enter into annual services agreements with our logistics service providers, which are subject to quarterly reviews and assessments on their performance. We assess our logistic service providers based on frequency of punctual deliveries, transportation capability and overall service quality and we are entitled to terminate the agreements if the logistics service providers fail to satisfy our standards and requirements. We also require our logistics service providers to have valid hazardous goods license for the transportation of our battery systems.

Once our logistics service providers confirm receipt of the products to be delivered, the risks relating to the transportation and delivery of our products are also transferred to the logistics service providers and they or their insurers will be liable for any damage or loss during transportation, including delay of delivery, spoilage, damage or loss of products, unless such delay, spoilage, damage or loss was caused by our mishandling of the products.

During the Track Record Period and as of the Latest Practicable Date, we had not experienced any significant delay or poor handling of goods that materially and adversely affected our business operations. Furthermore, we do not anticipate any shortage of logistics services in for the foreseeable future and we believe the current logistics market already provides sufficient alternative options of logistics service providers which can offer similar terms as our existing logistics service providers.

After-Sales Service and Warranty

In China, service of our EV battery systems takes place at our self-owned service centers, or our subcontractors for after-sales service, if we do not have self-owned service centers in the relevant location. As of April 30, 2024, we had 15 self-owned service centers in Northern, Southern and Central China. In India, we strategically position our after-sales employees in locations based on the needs of our customers. We believe that our self-owned service centers and after-sales team enable our technicians to work closely with our engineers and EDD teams to identify problems, find solutions, and incorporate improvements faster than our competitors. For further details of our subcontractors for after-sales service, see the section headed “— Raw Materials and Suppliers — Subcontractors” below.

BUSINESS

We also had 114 employees in our service department as of April 30, 2024. Our service team is responsible for handling complaints from our customers. Complaints received are handled in a timely manner and if required, we will dispatch appropriate personnel to the location of the complainant to attend to their needs. Our service team can perform an array of procedures, from identifying the reasons that cause the failures to full replacement of mechanical and electrical components, battery cells, battery modules or even the whole EV battery systems. During the Track Record Period, we did not receive any material complaints or claims from our customers.

Our warranty policy complies with PRC laws and regulations for warranties for battery systems and is in line with industry norm according to the F&S Report. In China, for an EV battery system used in a passenger EV, we typically provide warranty with a term of the earlier of eight years or 150,000 kilometers. For commercial EV battery systems, typical warranty term is the earlier of five years or 200,000 kilometers. In India, we typically provide a warranty with a term of the earlier of six years or 2,000 charging cycles. As for other products, including energy storage solutions, we generally provide a warranty term of three to five years. We do not accept liability for defects or damages which occurred due to materials supplied by the customer.

We typically perform customer service actions upon request of our customers to address product defects or improve functions, or if our customers undertake recalls. We have purchased annual product liability and warranty insurance. Under these insurance policies, the insurance companies have agreed to reimburse us, subject to certain maximum claim limits and deductibles, for the actual product warranty costs that we incur due to the defects of our products under our product warranty policy. We record the insurance premiums as expenses. Each policy provides insurance against warranty costs for products incurred within that policy year. However, warranty claims may exceed the scope or amount of our insurance coverage, materially adversely affecting our business and operating results. None of our sales were returned nor were any products recalled and we were not subject to any material product liability claims during the Track Record Period and up to the Latest Practicable Date.

For details of risks relating to our product liabilities and warranty expenses, see the sections headed “Risk Factors — Risks Related to Our Business and Industry — Product liability or other claims could harm our financial condition and our reputation” and “— If our products fail to perform as expected or have technical defects, or our estimates about warranty expenses differ materially from our actual claims, or if we are unable to estimate future warranty expenses accurately for new products, our reputation, business and financial results could suffer significantly.”

BUSINESS

ENGINEERING, DESIGN AND DEVELOPMENT

Our engineering, design and development capabilities and commitment are pivotal to our success.

We have received numerous awards and certifications in recognition of our strong EDD capabilities. In particular, several of our PRC entities have been qualified as a “High and New Technology Enterprise.” This recognition entitles the entities to benefit from a preferential 15% enterprise income tax rate that is subject to review every three years. We also receive subsidies from time to time from the PRC government to support the EDD and commercialization of our high energy density EV battery systems.

EDD Process

Our product EDD efforts involve the following two levels:

Technology platforms

Our technology platforms consist of validated technology and design solutions covering the major components of the battery system design and manufacturing process. This process primarily includes battery cell testing, potential modification of battery cell design, battery system design, manufacturing equipment design, production line design, and manufacturing process management.

Our extensive EDD efforts and design capabilities have allowed our battery technology platform to rapidly progress. We aim to upgrade our technology platforms to achieve higher figure of merits in energy density, charging rate, safety, lifetime and cost.

Our latest innovation endeavors are aimed at the next horizon in battery system safety, performance and cost. The newest embodiment with BEST features 46xx cylindrical cells. Amongst early movers in China, we are rapidly gaining maturity in validation prototype stage for 46xx battery systems. In addition, we are expanding our MUST platform with NCM prismatic battery cells with emphasis on fast charging. This embodiment, currently in tooling stage, has demonstrated through engineering prototypes exceptional battery system safety while maintaining market lead in cost and serviceability.

BUSINESS

Specialized technologies

We have developed specialized technologies to create mechanical structures that allow our battery systems to maintain safety standards while remaining cost-effective:

- ***Bipolar encapsulated structure technology, or BEST.*** Our BEST is designed to ensure thermal runaway of a single battery cell will not propagate throughout the system. It includes thermal sensors to detect thermal runaway, laser welding and encapsulation processes and equipment and algorithms to execute additional thermal mitigation. BEST is offered with battery cells comprising different chemistries (namely NCM and NCA). The LFP cylindrical battery cells with BEST have achieved cost reduction of approximately 40% compared to the industry average. Our products with BEST have achieved the following:
 - enhanced safety: We engineer our EV battery systems to incorporate safety and control features that extend battery lifespans and improve performance. We are one of the few companies in China with the technology to ensure thermal runaway of a single battery cell will not propagate throughout the system, according to the F&S Report; and
 - high energy density: We offer EV battery systems that store greater amounts of energy per unit of mass. Our latest products have achieved an energy density of approximately 180 Wh/kg, which is higher than the industry average of 140 Wh/kg to 160 Wh/kg in 2023, according to the F&S Report.
- ***Multifunctional unitized structure technology, or MUST.*** This technology was designed initially for LFP prismatic battery cells, which achieved a significant cost reduction of approximately 10% compared to the industry average, according to the F&S Report. Our EV battery systems with MUST are also over 40% higher in space utilization compared with our competitors according to the F&S Report. This is achieved by eliminating modules and reducing components and connections within an EV battery system to allow for battery cells to be directly integrated into the EV battery systems. Our MUST is offered with various battery cells comprising different chemistries.

By adopting our BEST and MUST, we have significantly increased cell-to-system packing efficiency (namely the ratio of the energy stored per unit mass of our EV battery systems bears to the amount of energy stored per unit mass of the battery cells used in our EV battery systems) of our latest high performance products to approximately 87% through lightweight design and integrated components without compromising our safety and thermal management standard.

BUSINESS

Our select battery systems featuring BEST and MUST are set forth below for illustrative purposes:

	BEST	MUST
Description	<ul style="list-style-type: none"> NCA 4680 cylindrical 	<ul style="list-style-type: none"> LFP prismatic or cylindrical
Cooling system	<ul style="list-style-type: none"> Liquid cooling 	<ul style="list-style-type: none"> Air cooling
Energy capacity	<ul style="list-style-type: none"> 47 kWh 	<ul style="list-style-type: none"> 32 kWh
Energy density	<ul style="list-style-type: none"> 186 Wh/kg 	<ul style="list-style-type: none"> 124Wh/kg
Launch date	<ul style="list-style-type: none"> Launched in April 2024 	<ul style="list-style-type: none"> Launched in March 2023
Photograph		

Innovative technologies

We have developed two innovative technologies to enhance our products and optimize our EDD process:

- Flexible Layered Architecture for Software and Hardware, or FLASH.*** FLASH is a BMS architecture that allows us to quickly apply our BMS software onto any hardware platforms by (i) modularizing and standardizing the common functions of BMS at the hardware level; (ii) modifying the common underlying functions of complex components (such as analog front-end monitoring and protection ICs, external storage and system basis ICs) at the software level; and (iii) standardizing the underlying interface for BMS applications. FLASH reduces our reliance on specific ICs and other complex battery system components, thus mitigating supply chain constraints, enhancing the versatility and adaptability of our system and accelerating our design cycle. FLASH was developed in adherence to ISO/IEC standards and meets Automotive Software Process Improvement and Capability Determination, or ASPICE, Level 2 certification, indicating an international standard.

BUSINESS

- ***SinoEV Unified Product Engineering Registry, or SUPER.*** SUPER is a data platform that integrates data from our various internal systems to provide traceability of all elements of our product cycle, from EDD to sourcing, manufacturing, sales, after-sales service and other operations. SUPER enhances our EDD and decision-making processes, and improves our overall system interoperability and entire product life cycle development efficiency.
- ***Flexible lines with island and chain kinematics, or FLICK.*** FLICK is our full-stack manufacturing process and equipment developed in-house. It is designed to offer manufacturing flexibility at a reduced cost. FLICK incorporates island-based kinematics for prismatic battery cells and chain-based kinematics for cylindrical battery cells. This setup enables the co-manufacturing of different battery systems on the same production line, with a switch-over time of less than 120 minutes. This efficiency significantly enhances our manufacturing capabilities.

Customized concurrent engineering with customers

We work closely with the majority of our customers to develop EV battery systems tailored to their requirements. The design processes of EV battery systems meet the requirements of IATF 16949:2016 quality management standards and advanced product quality planning, or APQP, procedures. The design process for an EV battery system typically includes the following three phases:

First, we formulate technical specifications of EV battery systems based on customer requirements. We discuss with customers their EV battery system requirements, such as safety, thermal management, driving range, battery charge capacity, energy density and power capacity under different conditions. We then establish the technical specifications of an EV battery system based on these requirements.

Second, we choose the most suitable technology platform for an EV battery system based on its technical specifications. Our technology platforms offer an open and flexible design architecture that accommodates substantially all customer requirements for an EV battery system. This enables us to shorten the design-to-suit cycle of EV battery systems to between six and nine months, compared to the industry average of approximately 12 months, and enhance the designs of EV battery systems.

Third, we begin to develop and design products. We have formulated project workflow management processes in accordance with the APQP requirements. For further details, see the section headed “— Sales, Customers and Marketing — EV Battery Systems — Project workflow” above.

BUSINESS

Key EDD Projects

The table below sets out the features, status and investment costs of our key EDD projects:

Project	Features	Status	Investment costs during the Track Record Period
			<i>RMB'000</i>
BEST		Continuous development	206,965
<i>Sample projects</i>			
Battery system designed for a A0 size EV in China	One of the first to apply large format cylindrical high specific energy density cells	Validation prototype stage	13,910
Battery system designed for an electric multi-purpose vehicle in China	One of the first to apply 4695 cylindrical battery cells	Mass produced	8,273
Battery system designed for a A size EV in India	Our first battery system product designed for an A size passenger EV in India market	Validation prototype stage	3,904
Battery system designed for a heavy electric truck in India	Our first battery system product designed for heavy EV trucks in India market	Initial prototype stage	768
MUST		Continuous development	170,467
<i>Sample projects</i>			
Battery system designed for a construction machine in United States	Our first Product targeting heavy construction machine market	Validation prototype stage	11,933
Battery system designed for an EV bus in India	New generation bus battery system with larger capacity	Mass produced	5,912
Battery System designed for a heavy truck in China	Our first time to apply large form factor prismatic cells for a heavy BEV truck	Advanced engineering prototype and safety validation stage	2,208

BUSINESS

Project	Features	Status	Investment costs during the Track Record Period
			<i>RMB'000</i>
FLASH		Continuous Development	62,556
BMS product for several A00 size BEVs	A BMS with flexible software architecture to ensure short adaption cycle, quick verification process and compatibility with domestic chips	Mass produced	7,474
BMS product for several B and above size BEVs	Our first BMS product to comply with the GB/T 34590 ASIL-C/D standard with high reliability in hardware and software level	In the process of verification, expect to complete by the fourth quarter of 2024	2,874
FLICK		Continuous Development	54,400
Manufacturing automation testing project for Hefei Facility III	Our first time to apply highly automated manufacturing equipment while keeping manufacturing flexibility	Trial run, expect to complete by the fourth quarter of 2024	348

EDD Team

As of April 30, 2024, we had a dedicated team of 375 employees based in China, India and the United States focused on EDD activities, of whom more than 70% of them hold an undergraduate degree or above.

We maintain five EDD teams, including:

- **Core of excellence.** Our EDD team is spearheaded by a core team of highly experienced experts, including our founder, chairman and chief executive officer, Dr. Zhou, who are instrumental in shaping the initial prototype of our products. This core group not only sets our EDD direction but also plays a crucial role in maintaining the innovative edge of our EDD.
- **Technology development.** Our technology development team keeps abreast of the latest technological innovations relating to battery systems and leads the development of our technology platform.

BUSINESS

- **Engineering development.** Our engineering development team specializes in designing, prototyping, testing and validating battery systems based on customer specifications.
- **Process and equipment development.** Our process and equipment development team designs our equipment and production lines to accommodate the technical and manufacturing requirements for our battery systems. This team also develops production equipment for our customers.
- **Program management.** Our program management team oversees the EDD process to ensure the timely delivery of customized battery systems to customers.

Collaborations

We also collaborate with universities from time to time to undertake EDD projects for the advancement of technologies that can be used for our business. We believe that these collaborations will deepen our understanding of industry trends and enhance the safety performance of our products, enabling us to focus more efficiently on our continuous EDD efforts. As of the Latest Practicable Date, we have a three-year technology development agreement with Anhui University, whereby Anhui University will be primarily responsible for preparing the EDD plan and carrying out the EDD work, while we provide technical data and assistance, as well as pay for the expenses and remuneration as set forth in the agreement.

The salient terms of our legally binding technology development agreements typically include the following:

Salient terms	Description
Ownership of intellectual property	Any intellectual property rights resulting from the joint development work conducted under the agreement shall be jointly owned by both parties. If one party intends to transfer such intellectual property rights, the other party will have the right of first refusal under the same terms.
Confidentiality	Any information obtained during joint development work shall not be disclosed to any other third party. Both parties confirm that the performance of the joint development work will not generate or involve any new trade secrets of either party.
Term and termination	The agreements generally have a term of three years.

BUSINESS

Salient terms	Description
Development progress	Each party shall inform the other party in writing of any delay or any anticipatory delay in development of the relevant technology.
Share of costs	Each party shall bear its own costs.

INTELLECTUAL PROPERTY

Our intellectual property portfolio includes accumulated knowhow in structural design, safety and cost-reduction features, and thermal and status monitoring, fast-charging and other functions. We hold patents covering multiple key battery management technologies, including our liquid-cooling systems, battery thermal runaway detecting systems, thermal management modules, battery safety monitoring methodologies, and overcharging prevention techniques.

As of the Latest Practicable Date, we had more than 870 patents registered in PRC, the United States and India and more than 1,000 patent applications globally. As of the Latest Practicable Date, we also had four registered trademarks, five domain names and 17 registered software copyrights.

The following table sets forth the movement of our patents and patent applications categorized by our core technologies during the Track Record Period:

Technology	Invention patent		Utility model patent	
	Applied	Granted	Applied	Granted
<i>Year ended December 31, 2021</i>				
Mechanic	1	1	8	20
Thermal management	1	8	4	4
BMS	1	3	2	5
Manufacturing process	9	6	24	10
	12	18	38	39
<i>Year ended December 31, 2022</i>				
Mechanic	2	1	44	39
Thermal management	1	5	2	3
BMS	2	4	5	6
Manufacturing process	3	3	27	39
	8	13	78	87

BUSINESS

<u>Technology</u>	<u>Invention patent</u>		<u>Utility model patent</u>	
	<u>Applied</u>	<u>Granted</u>	<u>Applied</u>	<u>Granted</u>
<i>Year ended December 31, 2023</i>				
Mechanic	2	16	32	28
Thermal management	–	28	–	–
BMS	2	6	–	–
Manufacturing process	3	8	51	34
	7	58	83	62
<i>Four months ended April 30, 2024</i>				
Mechanic	–	10	18	6
Thermal management	–	31	–	–
BMS	–	–	1	–
Manufacturing process	1	3	22	14
	1	44	41	20

The following table sets forth details of our key patents as of April 30, 2024:

Name of patent	Intended usage/function	Jurisdiction	Expiry date
Welding structure and welding system	Automation: This patent relates to the field of welding technology, specifically, to a novel welding structure and system. The positioning component of the welding structure compresses the target object and the battery terminal, and pre-determines the welding position. This strategic pre-positioning enhances both the efficiency and quality of the welding process.	China	August 11, 2027
Method of making fusible links	Structural design: Methods of fabricating the fusible link are directed to processing a multi-layer clad foil having a first layer suitable for forming a fusible link and a second layer suitable for forming one or more welding pads. A single fusible link or an array of fusible links can be formed.	United States	January 18, 2032

BUSINESS

Name of patent	Intended usage/function	Jurisdiction	Expiry date
Thermal runaway detection method and device for battery module	Thermal protection: Monitoring method and device for the burst state of a battery module. In the event that thermal runaway occurs in any individual cell, an alert signal is sent to the battery management system to trigger an alarm. This approach ensures prompt notification when abnormal data from any individual cell within the battery module is detected, thereby enabling the driver to take immediate evasive action if necessary.	China	April 26, 2036
Battery module tab welding device and method	Mechanical design: Battery module tab welding device and method that effectively addresses the challenges associated with welding short-distance tabs.	China	May 25, 2036
Battery testing device, method and batter system	Thermal management: Method and device for reliable testing of battery systems	China	March 7, 2038
State-of-health calibration method and device	Charging algorithm: Method and device could calibrate the state of health to achieve high accuracy estimation throughout the entire life cycle of the battery system. This ensures reliable performance and long cycle and calendar life of the battery system.	China	June 5, 2038

For further details, see the section headed “Statutory and General Information — B. Further Information about the Business of Our Company — Our Material Intellectual Property Rights” in Appendix IV to this document.

BUSINESS

The following table sets forth details of our five key patent inventors as of April 30, 2024:

	<u>Inventor</u>	<u>Position in Our Group</u>	<u>Number of patents invented</u>
1.	Dr. Peng Zhou	Chief Executive Officer	885
2.	Dr. Li Lao	CTO	347
3.	Mr. Yang Wang	Co-president	302
4.	Mr. Shumin Li	Thermal management development director	230
5.	Mr. Delian Li	Mechanical structure director	208

Our success depends in part on our ability to obtain and maintain proprietary protection for our products, technology and know-how. We have various measures and tools to monitor and minimize our risk exposure to intellectual property rights infringement. We are committed to the protection of our intellectual property rights and to prevent infringement of third parties’ intellectual property rights and have implemented the following measures and tools:

- ***Intellectual property management and legal support.*** We rely on trademarks, copyrights, trade secrets, know-how and technological innovation to develop and maintain our intellectual property. We maintain and monitor a list of our registered patents to proactively identify and prevent infringements. Any disputes are handled by our legal team, which enforces confidentiality agreements and our intellectual property rights as needed.
- ***Confidentiality and access control.*** Confidentiality agreements are in place with relevant parties, including employees, suppliers, and EDD partners. We have strict access controls in place to prevent unauthorized personnel from entering restricted areas where confidential information is retained.
- ***Employee obligations and information handling.*** Employees are required to properly retain confidential information and assign to us all inventions, designs, and technologies they develop. Access to, usage of, and dissemination of confidential information are regulated by certain procedures to ensure sensitive information of our or third party intellectual property rights are not accidentally lost or improperly disclosed or disposed of.
- ***Monitoring and risk assessment.*** We actively identify and monitor potential risks related to the infringement of our intellectual property rights by third parties, as well as the risk of infringing upon the rights of others. By keeping abreast of competitors’ products and industry trends, we aim to ensure that our technology neither infringes upon nor is infringed by others.

BUSINESS

During the Track Record Period, we have not made any material claims against our competitors or employees in order to enforce or protect our intellectual property rights. As of the Latest Practicable Date, we had not been sued for infringement of intellectual property rights by any third party, and we were not aware of any threatened material proceedings, disputes or claims relating to intellectual property rights against us. Nonetheless, we cannot be certain that third parties will not infringe or misappropriate our intellectual property rights or that we will not be sued for intellectual property infringement. For details of such risk, see the sections headed “Risk Factors — Risks Related to Our Business and Industry — We have limited ability to protect and defend our intellectual property rights, and unauthorized parties may infringe upon or misappropriate our intellectual property, which could harm our business and competitive position” and “— We may be subject to third-party claims of intellectual property infringement.”

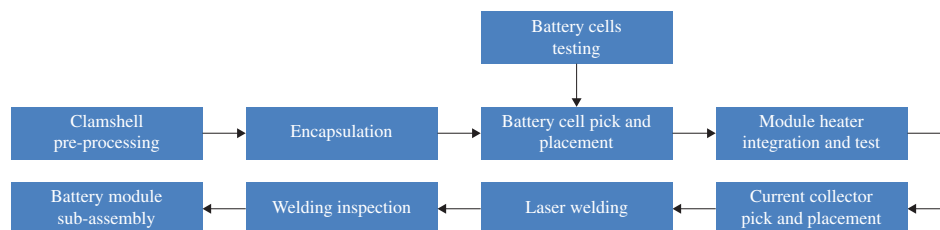
MANUFACTURING

We have created flexible, scalable and cost-efficient manufacturing processes that enable us to achieve higher performance, safety standards and packing efficiency for EV battery systems, while lowering packing costs.

Manufacturing Process and Equipment

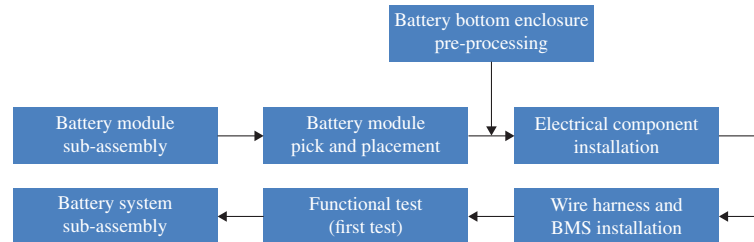
The following illustrates in brief the manufacturing process of a typical EV battery system:

- **Battery module assembly and encapsulation.** Battery modules are formed by picking and placing group of pre-sorted battery cells according to battery systems’ configurations. Multiple steps of encapsulations are then implemented to achieve structural rigidity. Electrical connections are established by picking and placing current collectors and subsequently laser welding. This process typically takes half an hour, excluding encapsulant curing time.

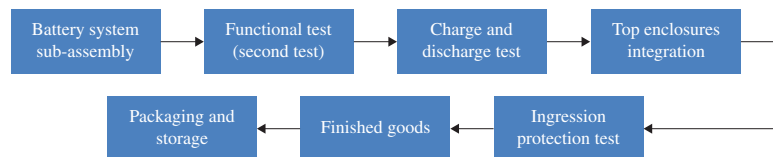


BUSINESS

- **Battery system integration.** Battery module sub-assemblies are further placed onto the bottom enclosure. Electrical components, wiring harness and BMS are further integrated at multiple workstations. Initial functional tests are then performed on battery system sub-assemblies. This process typically takes one to two hours.



- **Final integration and test.** Before the top enclosure is integrated, the battery system sub-assembly undergoes a second round of functional test. Ingression protection tests are performed post top enclosures integration. Finished goods are then packaged and stored. This process typically takes three to six hours.



We design our manufacturing techniques, equipment and production lines based on the design and manufacturing requirements of our EV battery systems. We use various production techniques and equipment in our manufacturing process, such as:

- direct cell to enclosure placement and preloading process that significantly improves our precision and efficiency,
- special gluing equipment such as six-axis robots. High-precision plunger pump and screw valve combinations, as well as the visual positioning function are utilized to ensure accurate amounts of glue,
- multibeam laser welders with tunable power output and welding parameters for different types of EV battery systems, and equipped with galvanometer application, swing welding head function to monitor key welding parameters in real-time, high-precision ranging sensor application, visual addressing and positioning system to achieve precise welding, and dust collection and smoke exhaust system,
- automated encapsulation with flexible encapsulant recipes, dispensing profiles and parameters for different EV battery systems, and
- our manufacturing information and parameters are interacted through our Manufacturing Execution System, which largely improves the efficiency and accuracy of our management and supervision of manufacturing processes.

BUSINESS

Our manufacturing process is scalable and cost-efficient because of our complete full-stack in-house design and development capabilities of key manufacturing processes and equipment. We believe this enables us to achieve the following competitive advantages:

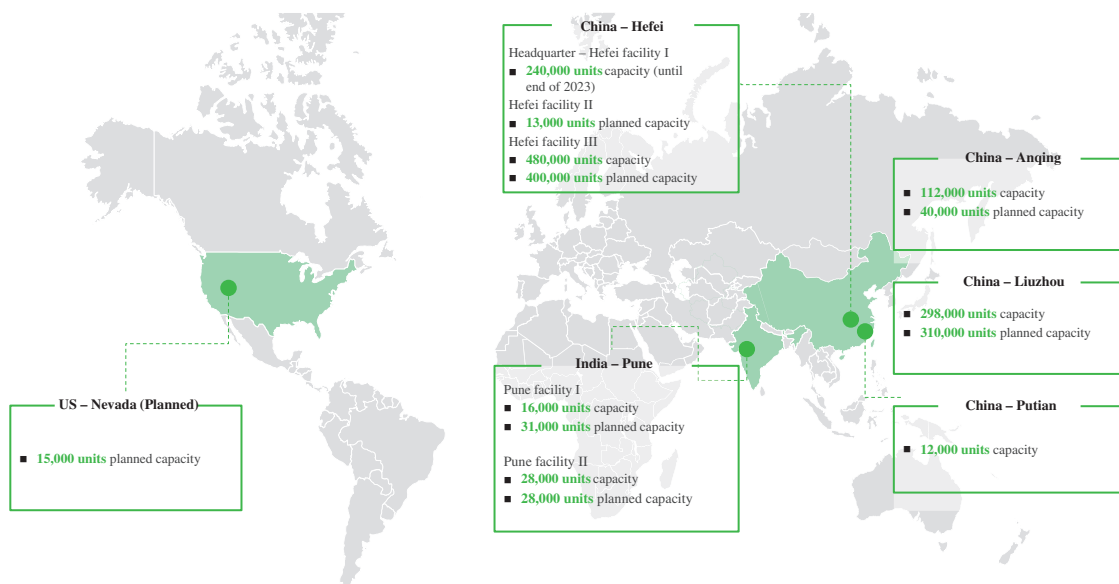
- **Enhanced precision and quality.** We believe we can ensure precision and quality by designing and fine-tuning our equipment and process parameters to accommodate varying requirements.
- **Rapid ramp-up.** We are able to achieve a three to four months ramp-up cycle with our in-house manufacturing process and equipment. This is significantly shorter than the industry average of approximately six to eight months ramp-up cycle, according to the F&S Report.
- **Low manufacturing costs.** Our process and equipment development and manufacturing engineering team are also responsible for maintenance and continuous improvement of our in-house manufacturing process and equipment. We also maintain close relationships with several leading equipment components manufacturers in China and internationally.
- **Enhance scalability and flexibility.** As a result of the above, our manufacturing capacity can be easily replicated in three months. In addition, our production lines can easily switch to a new SKU built within hours.

Manufacturing and Manufacturing Engineering Team

As of April 30, 2024, we had 575 employees involved in the manufacturing process, including 26 manufacturing engineers, 341 production staff, 42 quality control staff, 111 supply chain management staff, and 55 production support staff.

Manufacturing Facilities

We have five manufacturing facilities in China and two manufacturing facilities in India, with total floor area of approximately 164,441 square meters. The following map shows the locations of our existing and planned facilities:



BUSINESS

The table below sets forth information about each of our manufacturing facilities during the Track Record Period:

<u>Name of Facility</u>	<u>Location</u>	<u>Month/year commence operations or to commence operations</u>	<u>Floor area</u> (<i>m</i> ²)	<u>Use</u>
China				
Hefei facility I ⁽¹⁾	Hefei, Anhui	November 2017	37,724 ⁽²⁾	Headquarters, volume production of EV battery systems (until end of 2023) and EDD
Hefei facility II	Hefei, Anhui	Test run ⁽³⁾ : Fourth quarter of 2023 Full operation: Second half of 2024 (expected)	20,067	Volume production and EDD of EV battery systems exclusively for a world leading manufacturer of construction and mining equipment
Hefei facility III ⁽⁴⁾	Hefei, Anhui	January 2024	77,500	Volume production and EDD of EV battery systems
Anqing facility ⁽⁵⁾	Anqing, Anhui	May 2021	17,919	Volume production of EV battery systems exclusively for Customer B
Putian facility	Putian, Fujian	April 2017	4,800	Volume production of EV battery systems primarily for Customer E
Liuzhou facility	Liuzhou, Guangxi	May 2022	29,101	Volume production of EV battery systems primarily for Customer A
India				
Pune facility I	Pune	March 2023	6,312	Volume production of commercial and passenger EV battery systems for Indian customers
Pune facility II	Pune	January 2024	8,742	Volume production of passenger EV battery systems for Indian customers

BUSINESS

Notes:

- (1) Hefei facility I ceased production in December 2023, and has since been repurposed to support our EDD activities. The existing manufacturing equipment and production activities have been relocated from Hefei facility I (a three-floor building) to our new Hefei facility III. This strategic move was undertaken to enhance production efficiency. Hefei facility III has been designed with a single-floor layout to support a streamlined manufacturing approach and reduce transitional downtime associated with multi-story manufacturing.
- (2) Our headquarters in Hefei occupies premises of 37,724 square meters, including 31,912 square meters of production/EDD space.
- (3) This is subject to the inspection and acceptance of test run samples by customer.
- (4) Pursuant to the investment cooperation agreement we entered into with Customer B and the Feixi county in March 2022, the Feixi county affiliate is responsible for the construction of our manufacturing facility, EDD lab and related infrastructure. Under this arrangement, we pay rent to the Feixi county affiliate for the usage of the facility, with an option to purchase the facility after the [REDACTED].
- (5) The Anqing facility is operated by our joint venture with JAC.

In particular, we seek to locate our manufacturing facilities in close proximity to select customers to ensure responsiveness, enhance manufacturing efficiency and reduce transportation costs. Our Anqing factory and Liuzhou factory are situated close to Customer A and Customer B, our largest and second largest customers during the Track Record Period, respectively. Furthermore, at the request Customer E, we have established our Putian facility on the vehicle assembly plant of the said customer. The main purpose of this arrangement is to allow us to strengthen our relationship and save logistics costs.

Key production machinery

We owned and operated 19 production lines as of April 30, 2024. Key machines include robotic arms for laser welding and glue dispensing, encapsulation machine and charging/discharging tester. Majority of our key manufacturing machinery and equipment were assembled in-house with components sourced from China and the United States, and were under operation for three months to three years as of April 30, 2024.

We spent RMB66.8 million, RMB72.2 million, RMB123.8 million and RMB67.5 million on the purchase of property, plant and equipment, intangible assets and other non-current assets for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively. The expenditure was primarily a result of an increase in demand of our products. We conduct regular maintenance on our machinery and equipment, including normal wear and tear checks and machine parameter checks, typically on a predetermined schedule. Maintenance costs incurred for the repair and maintenance of our machinery amounted to RMB0.7 million, RMB4.5 million, RMB2.2 million and RMB1.1 million for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively. During the Track Record Period, there were no major disruptions of the business operations resulting from insufficient equipment maintenance.

BUSINESS

Manufacturing capacity and utilization rate

The table below sets forth a summary of our manufacturing capacity and utilization rate of our manufacturing facilities (excluding Hefei facility II, which is yet to commence full operation) for the periods indicated:

	Year ended December 31,						Four months ended April 30,								
	2021			2022			2023			2024					
	Manufacturing capacity ⁽¹⁾ unit	Actual production volume unit	Utilization rate ⁽²⁾ %	Manufacturing capacity ⁽¹⁾ unit	Actual production volume unit	Utilization rate ⁽²⁾ %	Manufacturing capacity ⁽¹⁾ unit	Actual production volume unit	Utilization rate ⁽²⁾ %	Manufacturing capacity ⁽¹⁾ unit	Actual production volume unit	Utilization rate ⁽²⁾ %			
China															
Year/period	303,867	304,529	100.2	543,933	539,634	99.2	681,500	358,205	52.6	224,667	50,914	22.7	140,667	74,440	52.9
Peak ⁽³⁾	149,067	162,367	108.9	203,667	208,371	102.3	220,167	197,102	89.5	NA	NA	NA	NA	NA	NA
Hefei facility I⁽⁴⁾															
Year/period	283,333	284,212	100.3	420,000	444,401	105.8	340,000	143,915	42.3	146,667	31,504	21.5	-	-	-
Peak ⁽³⁾	133,333	142,885	107.2	146,667	159,458	108.7	80,000	64,219	80.3	NA	NA	NA	NA	NA	NA
Hefei facility III⁽⁵⁾															
Year/period	-	-	-	-	-	-	-	-	-	-	-	-	-	100,000	47,675
Peak ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	NA	NA
Anqing facility⁽⁶⁾															
Year/period	13,333	19,167	143.8 ⁽⁹⁾	69,333	35,614 ⁽¹⁰⁾	51.4	112,000	19,288	17.2 ⁽¹¹⁾	37,333	3,422	9.2	37,333	7,109	19.0
Peak ⁽³⁾	13,333	19,167	143.8 ⁽⁹⁾	28,000	11,693	41.8	37,333	5,245	14.0	NA	NA	NA	NA	NA	NA
Putian facility															
Year/period	7,200	1,150	16.0	9,600	3,201	33.3	25,000	3,042	12.2 ⁽¹²⁾	4,000	674	16.9	4,000	354	8.9
Peak ⁽³⁾	2,400	315	13.1	4,000	1,714	42.9	5,000	1,297	25.9	NA	NA	NA	NA	NA	NA
Liuchou facility															
Year/period	-	-	-	45,000	56,418	125.4 ⁽⁹⁾	204,500	191,960	93.9	36,667	15,314	41.8	99,333	66,977	67.4
Peak ⁽³⁾	-	-	-	25,000	35,506	142.0 ⁽⁹⁾	97,833	126,341	129.1 ⁽⁹⁾	NA	NA	NA	NA	NA	NA
India															
Pune facility I⁽⁷⁾															
Year/period	-	-	-	-	-	-	12,315	9,078	73.7	1,944	779	40.1	15,332	9,451	61.6
Peak ⁽³⁾	-	-	-	-	-	-	5,185	5,536	106.8	NA	NA	NA	NA	NA	NA
Pune facility II⁽⁸⁾															
Year/period	-	-	-	-	-	-	-	-	-	-	-	-	-	2,000	1,934
Peak ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	-	-	NA	NA

BUSINESS

Notes:

- (1) Manufacturing capacity is calculated based on the production rate of our machines operating 20 hours per day and 25 days per month for the periods indicated (for further details of peak season, see note (3) below), and presented in units based on the average pack size manufactured in China and India, respectively, during the Track Record Period.
 - (2) Utilization rate is calculated as the percentage of actual production volume over the manufacturing capacity for the periods indicated.
 - (3) Peak seasons for production refer to September to December of each year.
 - (4) Hefei facility I ceased production in December 2023.
 - (5) Hefei facility III commenced production in January 2024.
 - (6) Anqing facility commenced operation in May 2021 and commenced production in December 2021.
 - (7) Pune facility I commenced operation in March 2023.
 - (8) Pune facility II commenced production in January 2024.
 - (9) The utilization rate of Anqing facility exceeded 125% in 2021 and the utilization rate of Liuzhou facility exceeded 125% in 2022 and 2023, primarily because production units exceeded the assumptions set out in note (1) above, which is achieved through improved production efficiency, optimized production scheduling and investment in automation equipment. As advised by our PRC Legal Advisors, during the Track Record Period, the actual production of our manufacturing facilities in China, including Hefei facility I, Anqing facility, Putian facility, and Liuzhou facility did not exceed the filed capacity of the relevant regulatory authorities, and there were no illegal activities of overcapacity production. Filed capacity refers to the manufacturing capacity target we registered with local economic development and environment protection related regulatory authorities at the early project planning stage before we were authorized to start construction of the production lines. Therefore, filed capacity is typically larger than our manufacturing capacity.
 - (10) Anqing facility, which commenced production in December 2021, achieved a production volume of 19,167 units and 35,614 units in the month of December 2021 and the year of 2022, respectively. The decrease in average monthly production volume in 2022 was primarily because Customer B (for whom our Anqing facility exclusively produces for) developed products with larger energy capacity in 2022.
 - (11) The decrease in utilization rate of Anqing facility from 2021 to 2022 was primarily due to the expansion of manufacturing capacity of Anqing facility in anticipation of strong demand from Customer B. The decrease in utilization rate of Anqing facility from 2022 to 2023 and the relatively low utilization rate of Anqing facility in 2023 was primarily because Customer B was developing new products for larger energy capacity segments with us in the first half of 2023 and only increased their purchase orders for mass production in the third quarter of 2023, and it is also exploring opportunities to expand outside of China.
 - (12) The relatively low utilization rate of Putian facility in 2021 and 2022 was primarily because the relevant EV models of Customer E (for whom our Putian facility primarily produces for) were still in research and development stage and thus, Customer E did not place too many mass production orders with us. The relatively low utilization rate of Putian facility in 2023 was primarily attributable to Customer E developed products with larger energy capacity in 2023, which led to a decrease in purchase orders during product development stage and necessitated new manufacturing machinery and equipment that increased the manufacturing capacity of Putian facility.
 - (13) Our average energy capacity of EV battery systems in China was 15.4kWh/unit, 19.4kWh/unit and 26.2kWh/unit in 2021, 2022 and 2023, respectively. Our average energy capacity of EV battery systems in India was 88.7kWh/unit, 88.8kWh/unit and 91.3kWh/unit in 2021, 2022 and 2023, respectively. For further details, see the section headed “Financial Information — Description of Selected Consolidated Statement of Comprehensive Income Line Items — Revenue — By Geographic area and vehicle type.”
- Our manufacturing facilities are strategically located in close proximity to its key customers. This setup is designed to ensure responsiveness, enhance manufacturing efficiency, and reduce transportation costs. It also means that the capacity of one facility is not aimed to be used to alleviate the manufacturing pressure of another facility due to geographical constraints. However, under certain circumstances, when our local manufacturing capacity is not able to meet customers’ unexpectedly urgent orders, we are able to redeploy relevant manufacturing equipment from idle facilities to temporarily improve our local manufacturing capacity, which also, to some extent, alleviates us from the risk that the relevant manufacturing facilities would become idle if the corresponding key customers do not place orders with us. We are not contractually required by customers to manufacture EV battery systems for them in any designated manufacturing facilities.

BUSINESS

Production and capacity expansion plans

We expect the EV battery system industry will continue to grow rapidly. According to the F&S Report, global EV sales volume is expected to grow at a CAGR of 28.4% from 2024 to reach 50.5 million by 2028. To capture the growing demand for EV battery systems, we intend to strengthen our business by expanding our existing Hefei facility II, Hefei facility III, Anqing facility, Liuzhou facility, Pune facility I and Pune facility II. We also intend to establish an additional manufacturing facility in Nevada, the United States. The locations of these manufacturing facilities were selected to increase our proximity to select customers with growing demands to allow for efficient customer service, reduced logistics costs and improved delivery time. We believe our expansion plans are commensurate with our historical development, future business strategies and industry trends. In addition, we believe that they will improve our economies of scale and support the expansion of our business in both China and outside China.

The table below sets forth the details of our manufacturing expansion plans:

Name of facility	Location	Total investment made	Total investment to be made	Designed annual manufacturing capacity	Production line installation start time	Time of production commencement	Status
		RMB'000	RMB'000	unit			
Capacity expansion							
Hefei facility II	Hefei, Anhui	—	4,900	13,000	Fourth quarter of 2022	Test run: Fourth quarter of 2023 Full operation: Second half of 2024 (expected)	Testing, subject to customer's inspection and acceptance of test run samples
Hefei facility III ⁽¹⁾	Hefei, Anhui	247,737	150,300	880,000	Third quarter of 2023	First quarter of 2024	In operation
Anqing, facility	Anqing, Anhui	44,417	16,300	152,000	Second quarter of 2021	Second quarter of 2021	In operation
Liuzhou facility	Liuzhou, Guangxi	61,588	117,200	608,000	First quarter of 2022	Second quarter of 2022	In operation
Pune facility I	Pune, India	46,627	53,400 ⁽²⁾	47,000	Fourth quarter of 2022	First quarter of 2023	In operation
Pune facility II	Pune, India	31,084	28,000 ⁽²⁾	56,000	Second quarter of 2023	First quarter of 2024	In operation
New manufacturing facility							
United States facility	Nevada, United States	—	18,200 ⁽²⁾	15,000	Fourth quarter of 2024 (expected)	Fourth quarter of 2024 (expected)	Planned

Notes:

- (1) Includes 200,000 units of annual manufacturing capacity attributed to the existing manufacturing equipment relocated from Hefei facility I in the fourth quarter of 2023.
- (2) We estimate the total investment amount of Pune facility I, Pune facility II and United States facility will be RMB99.5 million, of which RMB79.6 million will be from other sources, including capital contribution and RMB19.9 million will be from project loans.

See the sections headed “— Business Strategies — Expanding our manufacturing capabilities” above and “Future Plans and [REDACTED]” for further details.

BUSINESS

RAW MATERIALS AND SUPPLIERS

Raw Materials

Our major raw materials include battery cells and other non-battery cell materials (such as casing, harness and ICs). We also use various other raw materials including aluminum, steel and plastics in the manufacturing and assembling process. Cost of raw materials accounted for 92.6%, 93.7%, 90.9% and 90.3% of our total cost of revenues for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively.

During the Track Record Period, the prices of some of our raw materials (mainly battery cells) experienced fluctuations, primarily as a result of market conditions and global demand for these materials. According to the F&S Report, in 2021, 2022 and 2023, the average price of a NCM/NCA lithium-ion battery cell in China was RMB0.6 per Wh, RMB1.0 per Wh and RMB0.7 per Wh, respectively, and the average price of a LFP lithium-ion battery cell in China was RMB0.5 per Wh, RMB0.8 per Wh and RMB0.6 per Wh, respectively. However, our operations had not been materially impacted by such fluctuations during the Track Record period, primarily because these fluctuations were passed on to our customers.

In addition, we have adopted certain cost control measures to mitigate the impact of rising raw material costs on us. Our procurement teams will, in accordance with our annual cost control targets, seek appropriate alternative raw material suppliers or negotiate with existing suppliers for a discount. We are also committed to researching alternative raw materials that could replace more expensive ones in our manufacturing process without compromising the quality of our products. Through these measures, we have been able to have a close control on our cost of revenues. For the sensitivity analysis on cost fluctuation of our raw materials, see the section headed “Financial Information — Key Factors Affecting Our Results of Operations.”

If the operation of our suppliers is disrupted or suspended as a result of natural disasters, pandemic, power shortages, logistics service availability or other reasons, we will be able to find suitable replacements with comparable quality or develop alternative raw materials which will not materially increase our manufacturing cost. For example, in response to the global shortage in the supply of ICs since late 2020, we have developed FLASH, our BMS architecture that allows us to apply our BMS software with any ICs as detailed in the section “Engineering, Design and Development — EDD Process — Technology Platforms — Innovative technologies” above. We have also established strategic relationships with one of the largest global IC manufacturers and two other domestic PRC suppliers in China. According to the aforementioned global IC manufacturer, we were the first in China to mass adopt its 14-channel li-ion battery cell controller IC in BMSs and we were its largest customer in Central China region during the past three years. We will also prioritize the use of raw materials to more urgent purchase orders. For details of risks relating to raw materials, see the section headed “Risk Factors — Risks Related to Our Business and Industry — If we cannot secure a stable and sufficient supply of battery cells and other raw materials at reasonable costs, our operations and financial condition could be materially adversely affected.”

BUSINESS

We mainly source raw materials locally, save for that (i) we import battery cells from China for our operations in India; and (ii) we import a small portion of electronic components such as analog chips and diode from the United States. Considering that (i) during the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, none of our core raw material suppliers or relevant upstream players have been subject to export or import restrictions or other sanction-related restrictions that may disrupt our supply chain; (ii) the analog chips and microcontroller unit used by us for manufacturing battery systems are with lower technical complexity and importance as compared to computing chips (such as GPU and AI related chips) which are more often subject to sanction-related restrictions; and (iii) we have alternative suppliers for the relevant imported raw materials as aforementioned, our Directors are of the view that our exposure to sanction risks is minimal.

Suppliers

We maintain strong relationships with suppliers to secure stable sources of raw materials and components. In particular, our strategic relationships with well-known global battery cell and IC manufacturers help ensure the quality and compatibility of the battery cells and ICs supplied to us, which in turn allow us to deliver high quality EV battery systems. At the same time, they also keep us abreast of new industry developments innovations. Our customers do not generally request pre-approval of our suppliers or sub-contractors. Under limited circumstances, our customers may designate suppliers for us to procure certain raw materials such as encapsulation plate, liquid cooling pipe and wiring harness to be used in the manufacturing of EV battery systems for them. Nevertheless, our suppliers and sub-contractors are required to meet the detailed quality standards and specifications as stipulated by our customers. Our customers may also reserve the right to approve any supplier or sub-contractor changes once a project has commenced. In the event of any quality issues, our customers generally reserve the right to conduct on-site audits of our suppliers or sub-contractors.

For suppliers that we select, we generally select them based on various factors, including (i) price, (ii) product quality, (iii) minimum order quantity, (iv) lead time for sampling and production, (v) EDD capability, (vi) soundness of environmental safety management systems, and (vii) payment terms offered. Our procurement and quality control staff will typically conduct a quality assessment on the potential suppliers before including them on our approved list of suppliers. We assess the supplier's product development and manufacturing capabilities, quality assurance and after-sale services, pricing, reputation and financial condition. Only suppliers on our approved list are engaged and we regularly review the list based on the suppliers' past performance. An internal grading would be given to our suppliers following the performance reviews in respect of which we would adjust our ongoing purchase orders with the suppliers with reference to such internal grading.

BUSINESS

We generally enter into standard framework agreements with suppliers we select and suppliers that are designated by our customers for long-term supplies of key raw materials. These agreements generally last for one year with automatic renewal term, which are then subject to annual review and renewal. Our arrangements with suppliers are typically as follows:

<u>Salient terms</u>	<u>Description</u>
Quality	We generally provide detailed quality standards and specifications regarding the quality of the supplies. We conduct sampling inspection of the supplies upon arrival. In case of any quality defects that are not due to our negligence in storage, we may request for a full refund or exchange from our suppliers. Some of our suppliers may be requested to pay us a penalty fee at 5 to 10% of the purchase amount where we decide to use the supplies.
Pricing	<p>Generally, the purchase price for supplies with relatively high price volatility, such as battery cells, will be set out in each purchase order based on market price at the time of purchase. The purchase price for supplies with relatively low price volatility, such as aluminum and copper products, will be agreed on a project-by-project basis and last for one year.</p> <p>For selected customers, they are responsible for selecting certain raw materials and negotiating the purchase price.</p>
Minimum purchase requirement	We are generally not obliged to purchase any fixed or minimum quantity of suppliers from our suppliers, and our suppliers are not obliged to supply to us any fixed or minimum quantity of supplies.
Transportation costs	Generally, our suppliers are responsible for the transportation costs in our agreement, depending on the raw materials procured. Raw materials ordered are usually delivered to us within 30 to 90 days.

BUSINESS

<u>Salient terms</u>	<u>Description</u>
Inspection, acceptance and product returns	After delivery to a location designated by us, we generally inspect our supplies within one to three days of delivery. Where we experience any quality problems with the supplies, we are generally required to inform the responsible suppliers within one to three days of receipt. The suppliers shall then remedy the same, including product return and replacement.
Payment	Upon delivery, inspection and acceptance of the supplies, the supplier shall provide an invoice for payment. Credit terms with our major suppliers are generally from 30 to 120 days, and payments are mainly made by bank transfers and bank acceptance bills.
Warranty period	For battery cells, suppliers usually provide us with a warranty of eight years or 120,000 kilometers. The warranty period is deemed to have expired if any of the warranty conditions are met.

For select EV OEMs, we enter into multiple-way supply and sales agreements with our customers and battery cell manufacturers, to enhance stability regarding battery cell supply and maintain our margins. Under these agreements, we purchase battery cells from battery cell manufacturers according to the orders and estimates of EV OEMs. Battery cell manufacturers are liable to the EV OEMs for delays or product defects. We typically pay battery cell manufacturers within one week after EV OEMs pay us.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material breach of agreements by suppliers.

As of April 30, 2024, our EV battery systems on average used approximately 40 components and parts, which we sourced from over 390 suppliers globally. We maintain at least three key suppliers for each supply category to ensure competitiveness and avoid being dependent on any one supplier. We consider that it is not difficult to replace the majority of our suppliers with other suppliers of comparable quality and price in the market. We source our key raw materials by obtaining quotes from a number of suppliers at a time such that we are able to compare their prices and product quality, as well as to find suitable replacements as and when the need arises. We did not experience any shortage of or any quality issues with our raw materials during the Track Record Period and up to the Latest Practicable Date that materially affected our operations.

BUSINESS

Major suppliers

For the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, our top five suppliers in each year/period during the Track Record Period, all of which were Independent Third Parties, in aggregate accounted for 60.7%, 66.9%, 62.5% and 40.4% for the respective year/period, and our single largest supplier in each year/period during the Track Record Period, namely Supplier A, Supplier A, Supplier F and Supplier H accounted for 26.9%, 24.8%, 27.9% and 13.4%, of our total purchases for the respective year/period.

The table below sets out a summary of our top five suppliers in each year/period during the Track Record Period:

Supplier	Background	Major raw materials we purchased	Procurement amount	Approximate percentage of our total purchases	Number of years of business relationship with us as of April 30, 2024	Credit term	Payment method
			<i>RMB'000</i>	<i>%</i>			
<i>Year ended December 31, 2021</i>							
Supplier A	A top battery cell manufacturer in China, listed on the Shenzhen Stock Exchange with a market capitalization of RMB33.5 billion as of April 30, 2024	Battery cells	659,767	26.9	7	30-60 days	Tri-party net settlement ⁽¹⁾
Supplier B	A battery cell manufacturer in China focusing on light vehicle and logistic EV	Battery cells	358,187	14.6	4	90 days	Bank transfer and bank acceptance bill
Supplier C	A top battery cell manufacturer in China, listed on the Hong Kong Stock Exchange with a market capitalization of HKD25.4 billion as of April 30, 2024	Battery cells	336,206	13.7	3	60 days	Bank transfer and bank acceptance bill
Supplier D	A top battery cell manufacturer in China, listed on the Shenzhen Stock Exchange with a market capitalization of RMB28.3 billion as of April 30, 2024	Battery cells	85,492	3.5	2	60 days	Bank acceptance bill
Supplier E	A manufacturer of automotive components in China	Structural components	51,217	2.1	6	90 days	Bank transfer and bank acceptance bill
			<u>1,490,869</u>	<u>60.7</u>			

BUSINESS

Supplier	Background	Major raw materials we purchased	Procurement amount <i>RMB'000</i>	Approximate percentage of our total purchases %	Number of years of business relationship with us as of April 30, 2024	Credit term	Payment method
<i>Year ended December 31, 2022</i>							
Supplier A	A top battery cell manufacturer in China, listed on the Shenzhen Stock Exchange with a market capitalization of RMB33.5 billion as of April 30, 2024	Battery cells	1,320,749	24.8	7	30-60 days	Tri-party net settlement ⁽¹⁾
Supplier C	A top battery cell manufacturer in China, listed on the Hong Kong Stock Exchange with a market capitalization of HKD25.4 billion as of April 30, 2024	Battery cells	1,082,364	20.3	3	60 days	Bank transfer and bank acceptance bill
Supplier B	A battery cell manufacturer in China focusing on light vehicle and logistic EV	Battery cells	619,731	11.6	4	90 days	Bank transfer and bank acceptance bill
Supplier D	A top battery cell manufacturer in China, listed on the Shenzhen Stock Exchange with a market capitalization of RMB28.3 billion as of April 30, 2024	Battery cells	466,497	8.8	2	60 days	Bank acceptance bill
Supplier E	A manufacturer of automotive components in China	Structural components	76,209	1.4	6	90 days	Bank transfer and bank acceptance bill
			3,565,550	66.9			

BUSINESS

Supplier	Background	Major raw materials we purchased	Procurement amount <i>RMB'000</i>	Approximate percentage of our total purchases %	Number of years of business relationship with us as of April 30, 2024	Credit term	Payment method
<i>Year ended December 31, 2023</i>							
Supplier F	A top battery cell manufacturer in China, listed on the Hong Kong Stock Exchange with a market capitalization of HKD33.5 billion as of April 30, 2024	Battery cells	548,628	27.9	4	120 days	Bank transfer and bank acceptance bill
Supplier A	A top battery cell manufacturer in China, listed on the Shenzhen Stock Exchange with a market capitalization of RMB33.5 billion as of April 30, 2024	Battery cells	432,611	22.0	7	30-60 days	Tri-party net settlement ⁽¹⁾
Supplier H	A subsidiary of a top battery cell manufacturer in China, listed on the Shenzhen Stock Exchange with a market capitalization of RMB75.6 billion as of April 30, 2024	Battery cells	93,393	4.7	5	Prepayment or 120 days	Bank transfer and bank acceptance bill
Supplier C	A top battery cell manufacturer in China, listed on the Hong Kong Stock Exchange with a market capitalization of HKD25.4 billion as of April 30, 2024	Battery cells	84,460	4.3	3	60 days	Bank transfer and bank acceptance bill
Supplier G	A subsidiary of a global leading manufacturer of relays in China, listed on the Shanghai Stock Exchange with a market capitalization of RMB29.8 billion as of April 30, 2024	Electrical components	72,402	3.7	5	90 days	Bank transfer and bank acceptance bill
			1,231,494	62.5			

BUSINESS

Supplier	Background	Major raw materials we purchased	Procurement amount <i>RMB'000</i>	Approximate percentage of our total purchases %	Number of years of business relationship with us as of April 30, 2024	Credit term	Payment method
<i>Four months ended April 30, 2024</i>							
Supplier H	A subsidiary of a top battery cell manufacturer in China, listed on the Shenzhen Stock Exchange with a market capitalization of RMB75.6 billion as of April 30, 2024	Battery cells	114,881	13.4%	5	Prepayment or 120 days	Bank transfer and bank acceptance bill
Supplier F	A top battery cell manufacturer in China, listed on the Hong Kong Stock Exchange with a market capitalization of HKD33.5 billion as of April 30, 2024	Battery cells	89,243	10.4%	4	120 days	Bank transfer and bank acceptance bill
Supplier A	A top battery cell manufacturer in China, listed on the Shenzhen Stock Exchange with a market capitalization of RMB33.5 billion as of April 30, 2024	Battery cells	63,616	7.4%	7	30-60 days	Tri-party settlement ⁽¹⁾
Supplier I	A logistics, customs clearance and warehousing service provider in India	Logistics services	48,277	5.6%	3	Prepayment, on receipt of invoice	Bank transfer
Supplier E	A manufacturer of automotive components in China	Structural components	30,756	3.6%	6	90 days	Bank transfer and bank acceptance bill
			<u>346,773</u>	<u>40.4%</u>			

Note:

- (1) Supplier A, certain other raw material suppliers, Customer B and us have entered into tri-party agreements. Under these arrangements, we consolidate our invoice with those of raw material suppliers, and Customer B directly settles the raw material costs with the respective suppliers. The amount of settlements involved were RMB570.6 million, RMB1,627.6 million, RMB600.5 million and RMB28.8 million in 2021, 2022 and 2023 and for the four months ended April 30, 2024, respectively. Other than JAC, none of the parties involved in the tri-party agreements have any other past or present relationship with the Company, its subsidiaries, their shareholders, directors, or senior management or any of their respective associates.

BUSINESS

For details of our concentration risks, see the section headed “Risk Factors — Risks Related to Our Business and Industry — We are exposed to concentration risks in our purchase contracts with suppliers. Certain of our major suppliers are also our customers. If we fail to retain existing business relationships with such suppliers and are suspended from conducting business with them, our business operations and financial results would be materially and adversely affected.”

None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in our top five suppliers during the Track Record Period.

Overlapping Customers and Suppliers

During the Track Record Period, Customer B, one of our top five customers, was also our supplier. We sold battery systems to Customer B and procured raw materials and services, including liquid cooling pipes and labor and shuttle bus services for our employees and product post-warranty services, from them. The total amount of sales to Customer B were RMB861.3 million, RMB1,745.6 million, RMB830.3 million and RMB137.3 million for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively, which accounted for 33.6%, 31.3%, 26.1% and 14.5% of our total revenues during the same periods, respectively. The total amount of purchase from Customer B were RMB1.0 million, RMB5.7 million, RMB31.9 million and RMB6.2 million for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively, which accounted for 0.0%, 0.1%, 1.2% and 0.8% of our total purchases during the same periods, respectively.

In addition, out of our top five suppliers in each of the periods during the Track Record Period, four of our suppliers were also our customers. The table below sets forth details of our purchases from and sales to these suppliers or customers for the periods indicated:

	<u>Revenue</u>	<u>Percentage to our total revenue</u>	<u>Products we procured</u>	<u>Products we sold</u>
	<i>RMB'000</i>	<i>%</i>		
<i>Year ended December 31, 2021</i>				
Supplier A ⁽¹⁾	9,721	0.4	Battery cell	Battery systems for energy storage solution
Supplier B ⁽²⁾	648	0.0	Battery cell	EV battery systems
<i>Year ended December 31, 2022</i>				
Supplier B ⁽²⁾	416	0.0	Battery cell	EV battery systems

BUSINESS

	<u>Revenue</u>	<u>Percentage to our total revenue</u>	<u>Products we procured</u>	<u>Products we sold</u>
	<i>RMB'000</i>	<i>%</i>		
<i>Year ended December 31, 2023</i>				
REPT BATTERO Energy Co., Ltd. ⁽³⁾	23,463	0.7	Battery cell	EV battery systems
<i>Four months ended April 30, 2024</i>				
REPT BATTERO Energy Co., Ltd. ⁽³⁾	782	0.1	Battery cell	BMS

Notes:

- (1) Supplier A was one of our major suppliers and also our customer in 2021. Our procurement from Supplier A represented 26.9% of our total purchases in 2021.
- (2) Supplier B was one of our major suppliers and also our customer in 2021 and 2022. Our procurement from Supplier B represented 14.6% and 11.6% of our total purchases in 2021 and 2022, respectively.
- (3) REPT BATTERO Energy Co., Ltd. was one of our major suppliers and also our customer in 2023. Our procurement from REPT BATTERO Energy Co., Ltd. represented 27.9% and 10.4% of our total purchases in 2023 and the four months ended April 30, 2024, respectively.

Our Directors confirm that our sales to and our purchases from such overlapping customers-suppliers were (i) entered into after due consideration of prevailing purchase and selling prices at the relevant times, (ii) conducted in the ordinary course of business under normal commercial terms and on an arm’s length basis, and (iii) at prices that are no less favorable than from other Independent Third Parties who are not customer-supplier. To the best knowledge of our Directors, we did not have any other overlap between our other major customers and major suppliers during the Track Record Period and up to the Latest Practicable Date.

According to the F&S Report, it is common in the industry to have overlapping customers and suppliers.

Subcontractors

We usually engage external subcontractors to (i) customize our BMS by applying surface mounted technology, or SMT, into our BMS production on a project-by-project basis in order to save capital investments into SMT production line; and (ii) perform after-sales service if we do not have any self-owned service centers in the relevant location. For the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, we engaged a total of 10, 16, 12 and 14 subcontractors, respectively. The total amount paid to these subcontractors amounted to RMB40.2 million, RMB33.3 million, RMB83.9 million and RMB25.2 million for the same periods, respectively, representing 1.7%, 0.7%, 3.2% and 3.1%

BUSINESS

of our total cost of revenues, respectively. The total amount paid to our top five subcontractors in each year/period during the Track Record Period amounted to RMB39.2 million, RMB28.5 million, RMB78.5 million and RMB23.1 million, representing 1.7%, 0.6%, 3.0% and 2.9% of our total cost of revenues for the respective years, respectively. All of our subcontractors were Independent Third Parties and we have on average more than three years of business relationships with our subcontractors.

We maintain a list of subcontractors and take into account factors such as product quality, pricing, proximity of their factories or workshops to our manufacturing facilities, time of delivery and years of their business relationship with us as key considerations when we select our subcontractors. After we have approved a subcontractor, we will add the subcontractor to our approved vendor list and will engage only those subcontractors from our approved vendor list. We review the performance of our subcontractors on a regular basis in terms of service and product quality. As part of our quality control, we inspect the quality of the services and products from our subcontractors on a random basis. For our SMT and after-sales service subcontractors, we may also visit their production facilities and inspect their work process where required.

We will generally invite at least two subcontractors from our approved vendor list to provide quotations for our selection. We will conduct detailed briefings to our subcontractor's working team before performing the duties. We generally do not enter into long-term and legally binding contracts with our subcontractors and this conforms to the industry practice. Subcontracting arrangements are made on a project-by-project basis and the duration of each subcontracting agreement generally depends on the timetable, scope and nature of work and other needs of each project.

We do not have undue reliance on our subcontractors as we would be able to find alternative subcontractors readily and on similar commercial terms if any of our major subcontractors ceases to provide services to us. During the Track Record Period, we did not experience any situation where the subcontractors had failed to fulfill any significant orders, and we had not received any material claims or complaints by our customers in respect of the quality of products processed by our subcontractors.

None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our top five subcontractors for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024.

Labor outsourcing

We also engage labor outsourcing service providers, with whom we have entered into labor outsourcing agreements during the Track Record Period. Pursuant to such agreements, these labor outsourcing service providers would outsource to us suitable labor as requested for a service fee. We generally require such labor to perform manufacturing works on an as-needed basis, which saves us from regularly retaining a large pool of self-employed labor. The service fees we pay to the labor outsourcing service providers is inclusive of (i) wages and benefits for the labor; and (ii) social insurance, housing provident fund and business insurance for the labor to be paid to the competent authority.

BUSINESS

INVENTORY MANAGEMENT

We have warehouses at each of our manufacturing facilities for the storage of raw materials and finished goods.

Our procurement team discusses with our management and our sales and marketing teams on a monthly basis to estimate the amount of raw materials required for the following month. To better manage our forecasting, production and inventory efficiently and cost-effectively, we have enterprise-wide systems that provide us with real-time financial and operating reports that enable rapid execution and decision-making. We have installed a single enterprise resource planning, or ERP system, manufacturing execution system, or MES, and partner relationship management, or PRM system at our facilities to manage operations, procurement, warehousing, inventory management, order processing, quality control and outsourcing process. We have also incorporated a suite of supporting financial, demand planning and material requirements planning, or MRP, software modules into our core ERP platform.

In general, we prefer sourcing raw materials locally as it is more cost-effective with lower transportation costs and carbon footprint. It also allows us to better control the quality of raw materials. In particular, the majority of our suppliers in 2023 were domestic suppliers. Domestic suppliers are generally able to deliver the raw materials we ordered to our local manufacturing within a period of 30 to 90 days upon receipt of our orders.

We are generally not liable for the management of consigned inventory of raw materials that are directly purchased by our customers. For further details of our inventory turnover, see the section headed “Financial Information — Description of Selected Consolidated Balance Sheets Line Items — Inventories.”

QUALITY CONTROL

We are committed to delivering high quality and reliability in our products. We have established a comprehensive quality management system covering the lifecycle of our products, from EDD through to the sourcing of raw materials, manufacturing, testing and final delivery, to ensure that our products meet relevant national and international safety standards. As of April 30, 2024, we had 42 employees responsible for quality management. The team, under the supervision of our co-president, Yang Wang, is structured into three primary functions:

- Quality Systems: This function handles certifications and environmental, health, and safety matters.
- Quality Engineering: This team focuses on supplier, process, product, and customer quality engineering.
- Quality Control: This team is tasked with the quality control of incoming materials, finished goods, and in-process controls.

BUSINESS

We employ strict quality control procedures at each stage of design and production process in accordance with IATF 16949:2016 quality management standards to help ensure consistency of our product quality and compliance with our internal production benchmarks. IATF 16949:2016 standards integrate ISO 9001 guidelines by including specific requirements from the automotive sector, and represent a worldwide quality system standard for the automotive industry.

TUV SUD Management Service GmbH, a leading international service company that documents the safety and quality of products, systems and services in the battery industry, reviews and certifies our quality systems. We received IATF 16949:2016 certification in March 2021 for our design and manufacture of EV battery systems and BMS from TUV SUD Management Service GmbH, which remains effective until February 2027.

In accordance with IATF 16949:2016 quality management standards and applicable national and industry standards, we have implemented a comprehensive internal quality control process, which includes the following elements:

- manufacturing controls;
- product preservation controls;
- product delivery controls;
- business plan and material controls;
- correction, prevention and continual improvement controls;
- product and process monitoring and measurement controls;
- nonconforming product control process, equipment and tooling controls; and
- product identification and traceability controls.

We manage our suppliers and the procurement process on the basis of a series of supplier management policies, including our Quality Manual, Purchasing Control Procedure and Manufacturing Process Control Procedure, which define the social responsibility requirements for our suppliers from the aspects of business ethics, labor standards, occupational health and safety, environmental management, anti-corruption and anti-commercial bribery. The purchase and supplier management team, under the supervision of our co-president, Yang Wang, is charged with the implementation of these policies. We also conduct systematic inspections of incoming raw materials and components that we source from third parties, ranging from battery cells to various BMS components from various perspectives such as appearance, size, function, performance and reliability. For further details of our processes and criteria for assessing raw material suppliers, see the section headed "Business — Raw Materials and Suppliers." We focus on in-process quality control by examining our manufacturing processes and output

BUSINESS

quality control by inspecting finished products and conducting safety, reliability, performance and related tests. We conduct quality control during each major stage of the whole manufacturing process. We also use a quality control system developed by ourselves, QMES system, to upload, oversee and manage the manufacturing and inspection status and information of our products.

AWARDS AND RECOGNITIONS

Over the past years, we have received various awards and certifications in respect of the quality and reputation of our products, which include the following:

<u>Award and accreditation</u>	<u>Year of award or certification</u>	<u>Issuing institution/ authority</u>	<u>Description</u>
1. Top 100 Invention Patents Enterprises in Anhui Province	2023	Anhui Provincial Administration for Market Regulation, Department of Education, Department of Science and Technology, and Department of Economy and Informatization	Recognition of our patents
2. Top 100 Manufacturing Enterprises in Anhui Province	2023	Anhui Provincial Enterprise Federation	Recognition of our products
3. Integration of Informatization and Industrialization Management System Certificate	2023	Zhongdian Hongxin Information Technology Co.	Recognition of our R&D and manufacturing capabilities with the standards of integration of informatization and industrialization

BUSINESS

<u>Award and accreditation</u>	<u>Year of award or certification</u>	<u>Issuing institution/ authority</u>	<u>Description</u>
4. Top 50 Specialized, Sophisticated, Unique and Innovative Enterprises in Anhui Province	2022	Anhui Provincial Committee of the Communist Party of China, Anhui Provincial People’s Government	Recognition of our products
5. Top 100 Manufacturing Enterprises in Anhui Province	2022	Anhui Provincial Enterprise Federation	Recognition of our products
6. High and New Technology Enterprise Certificate	2022	Anhui Provincial Department of Science and Technology; Anhui Provincial Department of Finance; State Administration of Taxation Anhui Provincial Taxation Bureau	Recognized as a high and new tech enterprise
7. 2022 List of Intelligent Factories and Digital Workshops in Anhui Province	2022	Anhui Provincial Department of Economy and Information Technology	Recognition for our digitalized battery system production line
8. 2021 Hefei Economic and Technological Development Zone – Economic Contribution Award	2021	Hefei Economic and Technological Development Zone Management Committee	Recognition for our contribution to the economy of Hefei
9. New, Distinctive, Specialized and Sophisticated Small and Medium-sized Enterprise (Anhui Province)	2020	Anhui Provincial Economic and Information Technology Commission	Recognition of our products

BUSINESS

<u>Award and accreditation</u>	<u>Year of award or certification</u>	<u>Issuing institution/ authority</u>	<u>Description</u>
10. Patent Excellence Award (Anhui Province)	2020	Anhui Provincial Market Supervision Administration	Recognition of our patents
11. High and New Technology Enterprise Certificate	2019	Anhui Provincial Department of Science and Technology; Anhui Provincial Department of Finance; State Administration of Taxation Anhui Provincial Taxation Bureau	Recognized as a high and new tech enterprise
12. New Product Certificates (Anhui Province)	2019	Anhui Provincial Economic and Information Technology Commission	Recognition of our pure electric liquid cooled high energy density power cell system and A101 forced air-cooled high energy density power cell system for PEVs
13. Certificate of Certification of the Intellectual Property Management System	2018	Zhonggui (Beijing) Certification Co.	Recognition of our automotive battery system research and development, production, sales, and intellectual property management of the above process-related procurement
14. Luzhou Entrepreneurial Talent	2018	Hefei Talent Work Leading Group	Dr. Zhou was awarded as an entrepreneurial talent

BUSINESS

COMPETITION

We are a passenger EV battery system developer in China with operations in India and the United State. The PRC battery systems market is at a stage of rapid development driven by a strong demand from the EV market. In particular, the total market size in terms of shipment units of passenger BEV battery system providers in China in 2023 was 6,306.3 thousand units. The competitive landscape of the PRC lithium-ion battery industry is highly concentrated, and the top five players accounted for a market share of 55.7%. In 2023, we were ranked as the fourth largest EV battery system provider for passenger BEVs in China by shipment unit with a market share of 5.1%, according to the F&S Report. In 2023, our battery systems powered approximately 30% of A0/A00 size passenger BEVs in China, according to the F&S Report.

We were also the second largest BEV battery system provider in India by installed volume in 2023, according to the F&S Report. Driven by supportive government policies, increased public acceptance of BEVs, and improved infrastructure, the sales volume of BEVs is also increasing rapidly in India. The sales volume of BEVs in India increased from 1.2 thousand units in 2018 to 86.8 thousand units in 2023 at a CAGR of 135.7%, and the top five players accounted for a market share of 74.1% according to the F&S Report. The installed volume of BEV battery systems in India increased from 40 MWh in 2018 to 4,998 MWh in 2023, representing a CAGR of 162.7% and is expected to increase further from 12,961 MWh in 2024 to 86,253 MWh in 2028, representing a CAGR of 60.6%. We will continue to build and expand our presence in India to localize manufacturing, supply chain, service and engineering to better serve customers. We accounted for a market share of 16.3% in India in 2023 in terms of BEV battery system installed volume by MWh, according to the F&S Report. We are one of the few local market players that are able to provide customized EV battery systems with localized manufacturing and serving capabilities in Indian market. As of April 30, 2024, we had two manufacturing facilities and 24 EDD employees in India. Customer D, a leading Indian EV manufacturer, for whom we have been supplying EV battery systems for electric buses since 2016, has also further entrusted us to supply EV battery systems for its passenger EVs starting in December 2023.

We face competition from various industry participants, including independent EV battery systems providers, EV battery systems providers affiliated with EV OEMs, and EV battery systems providers affiliated with battery cell manufacturers, as well as new market entrants. In addition, our customers or suppliers of key components may integrate the value chain vertically and start competing with us. In addition, according to the F&S Report, the demand for lithium-ion battery systems is expected to reach 24,695 thousand units in China in 2028 at a CAGR of 19.6% from 2024. Although lithium-ion battery cells are expected to continue to dominate the battery cell market in the near future, researchers and industry players continue to explore new materials and technologies to reduce the costs and enhance the performance of battery cells to facilitate the energy transition, including sodium-ion battery cells which uses sodium as the charge carriers.

BUSINESS

However, leveraging our competitive advantages, we believe we are well-positioned to capture growth opportunities in the industry despite intensifying competition and potential industry chain integration. For example:

– ***Engineering and manufacturing capabilities.*** Our platform-based engineering and manufacturing model allow us to be battery cell agnostic. Our battery systems are independent of any specific battery cell, enabling impartial assessment, customized solutions, and effective supply chain risk mitigation. As alternative battery sources and technologies are introduced, we are able to leverage them to offer higher performance battery systems to our customers. In 2023, we developed sodium-ion battery system prototypes for application in entry-level EV models. According to the F&S Report, we were the first in the world to develop a battery system with sodium-ion battery cells. We were also one of the first players in China to develop battery systems using 4695 cylindrical battery cells, which was launched in April 2024.

– ***EDD capabilities.*** Our EDD capabilities allow us to offer customized EV battery systems with both cylindrical and prismatic battery cells at outstanding safety and cost standards. Engaging us for the development and manufacturing of EV battery systems could save cost for EV OEMs as compared to manufacturing by themselves or engaging battery cell manufacturers, according to the F&S Report. It would incur EV OEMs and battery cell manufacturers significant and separate investments to develop and manufacture battery systems by themselves, including but not limited to production line construction, technology research and development and personnel training. EV battery system suppliers, like us, through operations focusing on EV battery system market, large-scale production and flexible supply chain management, can to some extent achieve manufacturing cost efficiency and achieve economies of scale, thus have cost advantage as compared to manufacturing by OEMs and battery cell manufacturers themselves. Furthermore, we are committed in the research on application of alternative battery technology, namely semi solid-state battery and solid-state battery technology, in battery systems. According to the F&S Report, these alternative battery technologies are expected to commercialize in 2025 and 2030, respectively. Once these battery cell technologies commence mass commercialization, we will use our EDD capabilities to develop battery systems to apply such battery cell technologies.

– ***Strong partnerships with EV OEMs and battery cell suppliers.*** During the Track Record Period, we had 77 value chain partners, consisting of 55 EV OEM customers, 18 battery cell manufacturer suppliers (three of which were also our battery cell manufacturer customers) and seven battery cell manufacturer customers. We have also successfully converted a number of our battery cell suppliers, including two of the top 10 PRC battery players by shipment volume in 2023 according to the F&S Report, into our customers.

– ***India capability.*** We are one of the few local market players that are able to provide customized EV battery systems with localized manufacturing and serving capabilities in Indian market, according to the F&S Report. As of April 30, 2024, we had two manufacturing facilities and 24 EDD employees in India. Customer D, a leading Indian EV manufacturer, for whom we have been supplying EV battery systems for electric buses since 2016, has also

BUSINESS

further entrusted us to supply EV battery systems for its passenger EVs starting in December 2023. Furthermore, there are relatively high entry barriers to the EV battery system industry, including value chain management, product, human capital and capital barriers according to the F&S Report.

For further details, see the sections headed “— Competitive strengths” and “— Business strategies” above and “Industry Overview.”

BUSINESS SUSTAINABILITY

Our revenue increased significantly from RMB2,566.7 million in 2021 to RMB5,574.4 million in 2022 and from RMB505.3 million for the four months ended April 30, 2023 to RMB949.4 million for the four months ended April 30, 2024. However, our revenue decreased by 43.0% from RMB5,574.4 million in 2022 to RMB3,176.0 million in 2023 primarily due to (i) shift of revenue model from selling EV battery systems with to without procurement of battery cells; (ii) EV OEMs raised their inventory level at the end of 2022 in anticipation of increase in market demand, leading to low manufacturing activities and in turn reduced purchase orders to us in 2023; (iii) the market price of battery cells decreased in 2023 which led to the decrease in our revenue of EV battery systems with procurement of battery cells; and (iv) lower than expected end market demand during 2023 due to weak macroeconomic conditions. The sales volume of our EV battery systems with procurement of battery cells also significantly decreased from 295,986 units in 2022 to 64,979 in 2023, while the sales volume of our EV battery systems without procurement of battery cells increased from 232,276 units in 2022 to 293,887 in 2023. In addition, we continued to conduct EDD activities to develop products for A0, A and above size EV models newly launched by our customers, expanded our EDD team and issued share-based compensation to certain EDD and administrative staff in 2023. As a result, our operating expenses as a percentage of total revenue increased from 6.1% in 2022 to 14.7% in 2023 despite the decrease in revenue. See section headed “Financial Information — Period to Period Comparison of Results of Operations” for further fluctuation analysis of our revenue from period to period.

Despite having substantially grown our business during the Track Record Period, our revenue was not always able to cover the various costs and expenses incurred. In particular, we recorded net losses of RMB65.9 million, RMB29.4 million and RMB27.1 million in 2021 and the four months ended April 30, 2023 and 2024, respectively. Our loss-making position was primarily a result of the combination of the following:

- We have been ramping up our business since 2015 and did not make profit until 2022 as we lacked the scale necessary to reach profitability during the initial ramp-up phase. To aim for long-term business success and financial return in the fast-growing EV market, rather than seeking near-term profitability at the expense of long-term market potential, we invested in EDD, marketing and infrastructure to support the growth of our business, and reached breakeven point in 2022.

BUSINESS

- We believe that the continuous enhancement of our EDD capabilities is crucial to establishing market leadership and growing our business, and thus to increasing revenue and achieving profitability. We made significant investments in EDD, including the development of new technologies and products. For further details of our key EDD projects, see the section headed “— Key EDD Projects” above. We invested in our research and development laboratory, relevant equipment and software for the design and development of new EV battery systems to meet the requirements of our customers. These efforts led to the incurrence of RMB103.8 million, RMB150.6 million, RMB250.2 million and RMB77.3 million research and development expenses in 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively.
- We expanded our EDD, and sales, marketing and services teams during the Track Record Period to support our growing business needs. In particular, we increased our EDD team from 179 staff as of December 31, 2021 to 375 staff as of April 30, 2024, and our sales, marketing and service staff from 77 as of December 31, 2021 to 141 as of April 30, 2024. This expansion was driven by the need to improve our product development capabilities, strengthen customer relationships, and increase our market reach for long-term growth.
- The net losses in the four months ended April 30, 2023 and 2024 were primarily due to (i) lower demand for EVs in China at the beginning of the year as demand is generally higher at the end of the year; (ii) issuance of share-based compensation in June 2023; and (iii) a decrease in revenue contribution from EV buses in India in the four months ended April 30, 2024 due to government election cycle.

We achieved profitability in 2022 and 2023. Our profitability was primarily a result of the following:

- ***Customer base growth.*** Our track record of supplying EV battery systems to Customer A, one of our top five customers in each year/period during the Track Record Period, for the best-selling EV model in China in 2020 according to the F&S Report, led to nominations from other EV OEMs for us to develop similar battery systems and significantly contributed to the expansion of our customer base. Specifically, we acquired 17, 9, 12 and 6 new EV battery system customers in 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively. These new partnerships have collectively generated revenues of RMB287.9 million, RMB12.9 million, RMB100.8 million and RMB3.3 million during the same periods, respectively. Notably, one of these new customers ascended to our top five customers within the same year of initiating our partnership, underscoring the immediate value and impact of our collaborations.

BUSINESS

- ***Product mix optimization.*** Our total number of nominated EV battery system projects grew significantly from 64 to 102 and further to 131 and to 136 as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively, of which 10, 25, 53 and 60 were EV battery systems without procurement of battery cells. We believe this increase in number of projects demonstrates a growing trust from our customers and industry of the quality and reliability of our products, and our EDD capabilities, giving us a competitive advantage in the market to secure more projects. This is achieved, in part, by our platform-based engineering and manufacturing model which allows us to be battery cell agnostic. As alternative battery sources and technologies are introduced, we are able to leverage them to offer higher performance battery systems to our customers. As of April 30, 2024, 61% of our nominated projects had commenced mass production or were in the mass production preparation stage. For the remaining nominated projects as of April 30, 2024, based on our experience and statistics during the Track Record Period, our Directors believe that no less than 40% of our nominated projects would progress to mass production stage.

During the Track Record Period, the repertoire of battery cells we use in our battery systems have evolved from cylindrical NCM/NCA battery cells to different form factors (namely cylindrical, prismatic and pouch) and different chemistries (including NCM/NCA, LFP and sodium). In 2023, we developed sodium-ion battery system prototypes for application in entry-level EV models. According to the F&S Report, we were the first in the world to develop battery system with sodium-ion battery cells. We were also one of the first players in China to develop battery systems using 4695 cylindrical battery cells, which was launched in April 2024. Furthermore, we are committed in the research on application of alternative battery technology, namely semi solid-state battery and solid-state battery technology, in battery systems. According to the F&S Report, these battery technologies are expected to commercialize in 2025 and 2030, respectively. Once these alternative battery cell technologies commence mass commercialization, we will use our EDD capabilities to develop battery systems to apply such battery cell technologies.

- ***EV battery systems without procurement of battery cells.*** As an EV battery system solutions provider, we offer different business models with an aim to provide unique values to different EV value chain players. There has been an increase in sales of EV battery systems whereby our customers source battery cells directly themselves since 2021 and we expect this trend to continue going forward. In particular, three of our top five customers for each of the year/period of the Track Record Period have switched to or adopted this business model in 2021 and 2023. Gross profit margin of sales of EV battery systems without procurement of battery cells in nature is relatively higher than that of EV battery systems with procurement of battery cells. This is because the cost of battery cells is excluded from both the revenue and cost of revenue when calculating gross profit margin of sales of EV battery systems without procurement of battery cells. For further details, see the section headed “Financial Information — Description of Selected Consolidated Statement of

BUSINESS

Comprehensive Income Line Items — Gross profit and Gross Profit Margin — By product line.” There are various benefits to both our customers and us when a customer procures battery cells directly. From the customer’s perspective, when opting to source battery cells directly themselves, we believe these customers take into account that (i) they, as large-scale EV OEMs who tend to have various EV models and larger demand for battery cells, may have stronger bargaining power with battery cell suppliers for the purchase price of battery cells; and (ii) directly transacting with battery cell suppliers may help them control their own cash flow and credit risks more directly and efficiently. Meanwhile, for us, the inclusion of an additional business model of selling EV battery systems without procurement of battery cells provides increased flexibility to customers and enhances customer satisfaction. It also alleviates us from concerns of credit risk of customers and warranty liability.

However, whether a customer procures battery cells directly or through us is ultimately a commercial decision a customer makes following business negotiations with us and battery cell suppliers and largely depends on which model allows the customers to purchase battery cells at a more favorable price. We will continue to offer both business models to customers.

- ***End market expansion.*** During the Track Record Period, we have diversified the application of our battery systems from A00 size passenger BEVs, including a popular A00 size passenger BEV that accounted for approximately 10% of total passenger BEV unit sales in 2022, according to the F&S Report, to A0, A and above segments. Leveraging on our business success and reputation as an experienced player in A00 size EV battery systems, we had gained increasing nominations from our OEM customers to develop battery systems for their A0, A and above size segment EV models since the first half of 2022.

We have further enhanced our design capabilities and cost effectiveness of our A0 and above segment battery system products. Following the success with our first key A0 and A size projects in the second half of 2023, we further increased our investment in the EDD of A0, A and above segments. In particular, we invested in the development of specific technology platform to shorten development cycle, registration of relevant intellectual rights and advancement of our manufacturing equipments to increase the efficiency in the production of larger sized battery systems. In addition, we have continued to invest in the development and upgrade of production lines that are specifically designed to manufacture battery systems for A0, A and above size EV models, such as larger material handling machineries, automated robotics and higher power laser welding machines. For sales and marketing, we strategically focused on enhancing our brand recognition and promoting our products to EV OEMs targeting A0, A and above segments. Through our EDD and manufacturing capabilities, we have helped our EV OEM customers to launch such A0, A and above size EV models equipped with our EV battery systems to market since the first half of 2023 and in turn, our sales volume and revenue

BUSINESS

contribution from A0, A and above segments have increased significantly. As of April 30, 2024, we were in the process of developing more A0, A and above segment EV battery systems with 43 nominated projects in product development stage for 12 EV OEM customers.

Considering that our EV OEM customers typically offer a wide range of products covering different sizes of EV models, we do not necessarily need to engage another new group of customers to enter A0, A and above segments. Many of our customers, including but not limited to Customer A and Customer B, are also key players in A0 size passenger BEV segment in China. In particular, Customer A is a key player in each of A00, A0 and A size passenger BEV market. Customer A was ranked the third in terms of sales volume of passenger BEV in China in 2023 and was ranked the second in terms of sales volume of A0 size passenger BEV in China in 2023, according to the F&S report. Customer B is also a key player in A0 size passenger BEV market. Customer B accounted for a market share of 3% in passenger BEV market in China in 2023 and was one of the top ten player in terms of sales volume of A0 size passenger BEV in China in 2023, according to the F&S report. Nevertheless, we will also actively develop new customers to expand our customer base and further explore A0, A and above segments.

Our Directors believe that our end market expansion strategy can help improve our profitability. While our previous focus on A00 segment allowed us to establish a strong presence, our proactive steps to diversify our product portfolio helps mitigate segment concentration risk and positions ourselves for greater resilience when faced with a decline in a specific market, such as the A00 segment market decline in the first quarter of 2023. By expanding into new end markets, we are better equipped to navigate fluctuations and capitalize on emerging trends, and subsequently, improve our financial performance.

- ***International expansion.*** We have identified specific markets within underserved regions with substantial growth potential, including India and the United States. During the Track Record Period, we have expanded into the fast-growing non-passenger BEVs, such as buses and trucks, as well as special purpose vehicles, construction machinery and marine applications, such as sail boats, waste management trucks and cold chain trucks, in India and the United States. In particular, we were ranked as the second largest BEV battery system supplier in India by installed volume in 2023, according to the F&S Report. Our EV battery system revenue from India grew exponentially from RMB56.3 million in 2021 to RMB822.3 million in 2023, representing a CAGR of 281.3%. Building on our successful partnership with Customer D, a leading Indian EV manufacturer for whom we have been supplying EV battery systems for electric buses since 2016, they have further entrusted us to supply EV battery systems for their passenger EVs starting in December 2023. Our consistent performance and reliability have not only deepened this existing relationship but allowed us to win the business of a second large-scale electric bus manufacturer in India in 2023.

BUSINESS

According to the F&S Report, global EV sales volume, the PRC EV battery systems market and the Indian BEV market are expected to grow at a CAGR of 28.4%, 19.6% and 60.6%, respectively, from 2024 to 2028. To capture the market opportunities from such growth, we intend to continue to drive our revenue growth through the following measures:

- **Grow customer base.** Customer relationships are key to business growth. We have established long-term relationships with different industry players. During the Track Record Period, we had 55 EV OEM customers and seven battery cell manufacturer customers. We intend to capitalize on relationships established with existing customers to further discover and meet their needs and stay at the technological forefront of the market. Our success thus far has allowed us to reach economies of scale and offer cost effective products without compromising performance. We believe our market leadership and track record will continually help us attract new customers.
- **Optimize product mix and expand in target markets.** According to the F&S Report, market volume share of the A00 segment is forecasted to stabilize going forward, and A0 and A segments are estimated to account for approximately 47% of the total passenger BEV sales volume in China in 2028. We have been proactively optimizing our product mix by targeting A0, A and above segments. The A0, A and above segments accounted for an increasing portion of our EV battery system revenue in China during the Track Record Period. In 2023 and the four months ended April 30, 2024, the A0, A and above segments accounted for 56.7% and 65.7% of our EV battery system revenue in China, respectively, overtaking the A00 segment, which accounted for 38.0% and 25.9% of our EV battery system revenue in China in the same periods, respectively. We plan to leverage on our success in the A00 market and our product development capabilities to monetize on the growth of (i) A00 and A0 size BEVs and A size PHEVs in China; (ii) passenger EVs, EV buses and other commercial vehicles in India; and (iii) commercial vehicle, industrial and construction equipment in the United States.
- **Improve gross profit margins.** Our gross profit margin increased from 8.2% in 2022 to 17.1% in 2023. Our gross profit margin performance was largely affected by changes in revenue contributions from (i) sales of EV battery systems with or without procurement of battery cells; and (ii) different geographic markets. In particular, our gross profit margin from India increased significantly from 5.3% in 2022 to 18.3% in 2023. This increase was primarily driven by pricing with higher margin as the market was underserved. Our revenue contribution from sales of EV battery systems (i) without procurement of battery cells increased from 11.8% in 2021 to 19.1% in 2022, and further to 36.1% in 2023; and (ii) in India increased from 1.6% in 2022 to 36.1% in 2023. As our customers opt to source battery cells directly in an increasing number of projects and we continue to ramp-up delivery in India, we expect to continue to improve our overall gross profit margin.

BUSINESS

We expect to continue to rapidly grow our revenue in the near future and improve our gross profit margins. We believe the efforts described above have contributed to and are expected to continue to drive the growth of our revenue and have laid a solid foundation for long-term development and business sustainability.

INSURANCE

For the years ended December 31, 2021 and 2022 and 2023 and the four months ended April 30, 2024, our insurance related expenses amounted to RMB0.9 million, RMB1.4 million, RMB2.4 million and RMB1.5 million, respectively. As of the Latest Practicable Date, we maintained customary insurance policies within our industry, including property insurance, business interruption insurance, public liability insurance and product liability insurance, employer’s liability insurance and product transportation liability insurance. We do not maintain key-man insurance.

We believe we maintain insurance policies covering risks in line with industry standards and consider our insurance coverage to be generally sufficient for our operation; and do not have any material uninsured exposure. During the Track Record Period and up to the Latest Practicable Date, we had not made any material insurance claims. For details of risks relating to our insurance coverage, see the section headed “Risk Factors — Risks Related to Our Business and Industry — We have limited insurance coverage, which could expose us to significant costs and business disruption.”

EMPLOYEES

As of April 30, 2024, we had 1,186 employees. The majority of our employees are in China.

The table below sets out the breakdown of our employees by function and location of employment as of April 30, 2024:

Function	Number of employees		
	China	India	U.S.
Operations	498	75	2
EDD	343	24	8
Sales, marketing and service	83	54	4
General and administration	36	14	2
Finance and control	32	9	2
Total	<u>992</u>	<u>176</u>	<u>18</u>

BUSINESS

Recruitment and Training

Our success depends on our ability to attract, retain and motivate qualified staff. Our senior management team consists of members that possess international or top-tier education backgrounds, deep industry knowledge and abundant working experience.

We offer clear career paths for employees by classifying job positions into 13 progressive grades. We consider employees for promotion to a higher grade based on their work performance. In addition, we offer different career tracks for technicians and management staff and allow employees to choose between the two tracks when they reach grade 7 (our managerial grade).

As of April 30, 2024, we had 148 employees who were grade 7 or above. Approximately 72% of our senior management team, consisting of employees of grade 10 or above, have been with us for over 10 years, allowing our company to maintain a coherent vision and growth strategy.

We also invest significant resources to recruit employees to support our fast-growing operations. We recruit our employees mainly through advertising on the job market and on websites, internal referrals and external human resources agencies. We recruit our employees based on factors, such as their work experience, education background and our job requirements. The human resources department will review all received applications and shortlist the potential candidates for interviews. First round of interview will be conducted by the human resources managers while the second round of interview will be conducted by the respective department heads. In general, the process in each location is similar. In locations with production sites, technical test will be included in the selection process. For senior management job posts, final round of interview will be conducted by headquarter management team, local country heads as well as regional heads.

We believe the quality and skills of our employees are critical for our business and operations. Hence, we provide trainings to our employees on a continuous and regular basis covering areas such as machines operation, work safety, fire safety, and the safe use and storage of battery cells and other components with a view to enhancing their technical knowledge, skills and work efficiency.

Directors and Staff Remuneration

We incurred employee benefits expenses (including directors' remuneration) of RMB140.4 million, RMB202.2 million, RMB280.8 million and RMB99.2 million for the years ended December 31, 2021 and 2022 and 2023 and the four months ended April 30, 2024, respectively.

BUSINESS

The remuneration for our employees generally includes wages, bonuses and other benefits, including grant of stock options to certain employees. We conduct reviews and evaluations of our employees’ performance annually which will be taken into account in determining the level of bonus, salary increment and staff promotions. To incentivize the performance of our employees in the manufacturing and sales and marketing department, we set annual performance goals for them and those achieving such goals are awarded with monetary rewards.

Social Security and Pension Contributions

During the Track Record Period and up to the Latest Practicable Date, we were required to make contributions to the social security, pension contributions or retirement plans (as the case may be) that are relevant for our employees in the countries we operate, including China, India, and the United States. Our contribution to various social security and pension contributions were RMB14.3 million, RMB19.1 million, RMB31.2 million and RMB11.1 million for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively.

There were six PRC subsidiaries and branches that did not make full contributions to the social insurance and housing provident funds for employees during the Track Record Period. This was mainly because (i) we had not made adjustment to the contribution base for certain employees based on their actual salary level; (ii) we had not begun to make contributions for certain employees including non-PRC employees, ex-military employees, employees who had already engaged third-party human resources service agencies to make contributions and employees who have participated in the basic medical insurance for urban and rural residents on their own; and (iii) certain of our PRC subsidiaries made contributions to the social insurance and housing provident funds for employees of our other PRC subsidiaries. We estimate the shortfall of contributions for the social insurance in relation to the six PRC subsidiaries and branches for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024 were RMB6.1 million, RMB13.4 million, RMB0.4 million and RMB0.4 million, respectively. We estimate the shortfall of contributions of housing provident funds in relation to the six PRC subsidiaries and branches for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024 were RMB3.4 million, RMB6.9 million, nil and nil, respectively. We have made provision of RMB1.8 million, RMB2.9 million, nil and nil with respect to the outstanding amount of social insurance and housing provident fund contributions as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively. For details of relevant risks, see the section headed “Risk Factors — Risks Related to Our Business and Industry — We may be subject to fines and penalties under PRC laws for failure to make full contributions for social insurance and housing provident funds for our employees.”

BUSINESS

As advised by our PRC Legal Advisors, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments within the prescribed period, we may be liable to a fine of one to three times the amount of the outstanding contributions. Our PRC Legal Advisors have further advised that, under the relevant PRC laws and regulations, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period, failing which, application may be made to a people's court in the PRC for compulsory enforcement.

The maximum amount of the late payment fee with respect to our underpayment of social insurance and housing provident funds contribution was approximately RMB8.7 million as of December 31, 2023. As advised by our PRC Legal Advisors, the risk is remote for us to be penalized by the relevant PRC authorities with respect to social insurance and housing provident fund contributions based on the following reasons: (i) as of December 31, 2023, we had rectified the non-compliance in social insurance and housing provident fund contributions; (ii) up to the Latest Practicable Date, we had not received any notification from relevant government authorities requiring us to pay shortfalls or the penalties with respect to social insurance or housing provident funds; (iii) as of the Latest Practicable Date, we were not aware of any employee complaints nor involved in any labor disputes with our employees with respect to relevant social insurance or housing provident funds during the Track Record Period; (iv) among the six PRC subsidiaries and branches which did not make full contributions to the social insurance and housing provident funds during the Track Record Period, three of them have consulted competent local government authorities, and the remaining three have obtained written confirmations from competent local government authorities. Specifically, (a) in July 2023 and August 2023, our PRC Legal Advisors have respectively consulted the Deputy Captain of Labor Supervision Detachment of Hefei Human Resources and Social Security Bureau and the Deputy Director of Hefei Housing Fund Collection Department of Hefei Housing Fund Management Center with respect to three of our relevant PRC subsidiaries which confirmed that such PRC subsidiaries would not be penalized provided that they have rectified the non-compliance in social insurance and housing provident fund contributions. As advised by our PRC Legal Advisors, the aforementioned government authorities are competent governmental authorities and the interviewees are authorized to represent these authorities to provide such confirmations; (b) the remaining three of our PRC subsidiaries and branches have obtained written confirmations from the competent local government authorities which confirmed that they would not be required to make up the shortfall of social insurance contributions and be penalized, or they had no unpaid relevant social insurance contributions, or they had not been penalized with respect to social insurance and housing provident; and (v) we will make full contributions or pay any shortfall or late payment fee within a prescribed period if demanded by the relevant government authorities.

Furthermore, our PRC Legal Advisors have advised that the risk is remote for majority of our relevant PRC subsidiaries to be ordered by the relevant PRC authorities to make up for the shortfall of social insurance and housing provident fund contributions based on the reasons mentioned in the preceding paragraph and the following reasons: among the six PRC subsidiaries and branches which did not make full contributions to the social insurance and

BUSINESS

housing provident funds during the Track Record Period, three of them have consulted competent local government authorities, and the remaining three have obtained written confirmations from competent local government authorities. Specifically, (i) in July 2023 and August 2023, our PRC Legal Advisors have respectively consulted the Deputy Captain of Labor Supervision Detachment of Hefei Human Resources and Social Security Bureau and the Deputy Director of Hefei Housing Fund Collection Department of Hefei Housing Fund Management Center with respect to three of our relevant PRC subsidiaries which confirmed that provided these subsidiaries have rectified the non-compliance in social insurance and housing provident fund contributions, they will not be required to make up the shortfall of social insurance or housing provident fund contributions. As advised by our PRC Legal Advisors, the aforementioned government authorities are competent governmental authorities and the interviewees are authorized to represent these authorities to provide such confirmations; and (ii) the remaining three of our PRC subsidiaries and branches have obtained written confirmations from the competent local government authorities which confirmed that they would not be required to make up the shortfall of social insurance contributions and be penalized, or they had no unpaid relevant social insurance contributions, or they were not penalized with respect to social insurance and housing provident.

In light of the above advice from our PRC Legal Advisors, and as of December 31, 2023, we had rectified the non-compliance in social insurance and housing provident fund contributions, our Directors are of the view that our failure to make full contributions to the social insurance and housing provident funds for our employees in the PRC would not have a material adverse effect on our business operations and financial condition.

Employee Relationship and Retention

We have established a labor union in China. As of April 30, 2024, approximately 790 of our employees are members of the labor union, which may represent employees for the purpose of collective bargaining. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material work stoppage or disruptions to our operations due to labor disputes or strikes, nor did we experience any difficulties in the recruitment or retention of experienced staff.

Share Option Scheme

We have conditionally adopted the Share Option Scheme under which certain employees, Directors, consultants, advisors and other service providers of our Group including the executive Directors may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarized in the section headed “Statutory and General Information — D. Share Incentive Schemes — 2. Post-[REDACTED] Share Option Scheme” in Appendix IV to this document.

BUSINESS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

As an EV battery system solutions provider in the EV value chain, we are dedicated to creating a long-lasting and positive environmental, social, and governance impact on our customers, suppliers and the communities that our operations may impact. Our Directors also consider that establishing and implementing sound environmental, social and governance, or ESG, principles and practices will help increase the investment value of our Company and provide long-term returns to our stakeholders.

We are subject to environmental laws and regulations in the jurisdictions we operate. These laws and regulations govern a wide range of environmental matters, including air pollution, noise emissions, water waste discharge and hazardous waste. See the sections headed “Regulatory Overview — Laws and Regulations in Relation to Our Business in the PRC — PRC Regulatory Overview — Laws and regulations relating to environmental protection,” “Regulatory Overview — Laws and Regulations in Relation to Our Business in the United States — Industry Specific Legislations and Environmental Laws” and “Regulatory Overview — Laws and Regulations in Relation to Our Business in India — Environmental Laws” for further details.

If we fail to comply with environmental laws and regulations, we could be subject to fines, suspension of production or cessation of operations. See the section headed “Risk Factors — Risks Related to Our Business and Industry — We are subject to environmental and safety laws and regulations where we operate” for further details.

Our ESG efforts and achievements include the following:

Board Governance

The Board of Directors (the “**Board**”), our highest governance body, holds the collective and overall responsibility for the formation and establishment of Environmental, Social and Governance (“**ESG**”) related mechanisms and policies for the Group. We have established a board-level ESG Committee, aiming to guide and supervise the Group’s ESG performance through the Board, to achieve sustainable development that benefits both the Group and the society.

Key responsibilities outlined in the *Term of Reference for the ESG Committee* include:

- Formulating the Group’s vision, objective, management direction and strategies for addressing ESG issues;
- Reviewing the performance of our ESG initiatives and the status of achieving targets;
- Identifying and assessing the relevant risks and opportunities of the Group in respect of ESG areas;

BUSINESS

- Reviewing, evaluating, adopting and updating the Group’s ESG related policies to ensure compliance with legal and regulatory requirements;
- Reporting and making recommendations to the Board.

The Board comprises members with diverse expertise, including individuals with a deep understanding of EV transition, battery circularity and life cycle matters. Here are four board members with brief descriptions of their sustainability-related expertise:

Name	Position	Expertise	Focus
Dr. Peng Zhou (周鵬)	Executive Director; Chairman; Chief Executive Officer	Ph.D. in Mechanical Engineering and Electrical Engineering	Strong background in EV technologies and energy storage solutions. Directorship experience in ESG- related areas, such as EV battery systems and energy storage solutions.
Mr. Yang Wang (王揚)	Executive Director; Co-president	Master’s in Electronic Engineering, EMBA	Technical expertise in electronic engineering and extensive experience in the development and manufacturing of EV battery systems.
Ms. Tina Lin-chi Ju (汝林琪)	Non-executive Director	MBA, Bachelor’s in Industrial Engineering and Operations Research	Extensive experience in venture capital, investment banking, and operations. Recognized as one of China’s Best Venture Capitalists by Forbes China (2006-2016).

BUSINESS

Name	Position	Expertise	Focus
Dr. Chengwei Xiao (肖成偉)	Independent Non-executive Director	Ph.D. in Inorganic Chemistry, Research Senior Engineer	Expertise in electrochemical production processes. Involved in the drafting of national/sectoral standards on cycle life, safety, specification, and dimension of power battery.

The ESG Committee provides regular updates of ESG assessments to the Board, delivering strategic advice on the Group’s ESG initiatives. The ESG Committee holds at least one meeting in each year and submits an annual report to the board, highlighting important ESG matters and risks. We have also engaged independent third-party advisors as our ESG advisor to assess our Group’s ESG risks and provide professional advice to the Board when necessary. The ESG advisor will also provide professional ESG advice and support to our Board during its deliberations as needed.

Goals, Targets and Policies

We have established and operated comprehensive ESG-related management systems in accordance with the ISO certification requirements, including (i) Environmental management system (ISO 14000); (ii) Occupational health and safety management system (ISO 45001); and (iii) Quality management system (ISO 9001). In the respective management system policies, we have explicitly outlined the relevant goals and targets, as detailed in the table below:

Policy	Category	Objectives
Management manual	Environmental management	<ul style="list-style-type: none"> – Discharge and emissions of wastewater, waste gas and noise meet with relevant standards – Classification and harmless disposal of solid wastes – Zero chemical leakage pollution accidents
	Occupational health and safety management	<ul style="list-style-type: none"> – Zero fire accidents in the whole year – Zero annual incidences of occupational diseases – Zero major casualties in the whole year

BUSINESS

<u>Policy</u>	<u>Category</u>	<u>Objectives</u>
Quality manual	Quality management	– To take “zero defects” as our quality strategy and create a leading enterprise in the industry.

Throughout the Track Record Period, we successfully achieved the outlined objective each year.

To implement our ESG-related policies and objectives effectively and efficiently, we have established complete procedures containing relevant management responsibilities and duties. As defined in the management manuals, the Board and senior management shall review the environmental/occupational health and safety/quality management systems including the achievement of objectives at the planned time intervals to guarantee the continued applicability, sufficiency and effectiveness, and consistency with the Group’s strategic direction.

Following our [REDACTED], we intend to set measurable sustainability-related objectives in accordance with Appendix C2 of the Listing Rules, referencing the average of industry peers and international standards. Subsequently, we will rigorously compare each quantitative goal and target with the previous year’s actual figures, demonstrating our commitment to transparently assessing progress and ensuring the achievability of our objectives.

The Board confirm that no material sanctions, penalties or punishments had been imposed upon us for the violation of any environmental laws or regulations during the Track Record Period and up to the Latest Practicable Date. In line with our ESG-related objectives, we incurred RMB1.4 million, RMB2.1 million, RMB2.4 million and RMB0.6 million for environmental, health, and safety matters (such as upgrading facilities) in the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively. Expecting consistent costs for environmental compliance going forward. Concurrently, we are continually improving our management systems by monitoring ESG-related performance, evaluating compliance, conducting internal audits, and engaging in management reviews. This ensures identification of nonconformities or areas for improvement, followed by the implementation of necessary actions.

Materiality Assessment

We recognize the crucial role of materiality assessments in guiding our sustainable development by better understanding of material sustainability and corporate governance issues. Therefore, we are committed to establishing robust and continuous communication channels throughout our daily operations, to ensure a comprehensive understanding of stakeholder needs and expectations. Our communication channels with stakeholders include phone calls, interviews, meetings and report releases.

BUSINESS

The material ESG topics we have identified include Product Quality and Safety, Product Research and Innovation, Employee Care, Use of Recycled Materials, Supply Chain Management, and Waste Management, etc. After the [REDACTED], we will conduct a detailed materiality assessment in line with the Stock Exchange's *Step-by-step Guide to ESG Reporting*, leveraging both internal and external insights to evaluate the impacts of relevant ESG issues on our business and stakeholders. With the ESG Committee taking a lead role, we will use the following methods to identify, assess, and manage significant ESG issues:

- Identifying potential significant ESG issues based on the Group's development, Sustainability Accounting Standard Board standards, peers and industry characteristics;
- Engaging with internal and external stakeholders through questionnaires to understand their expectations and concerns on potential material issues;
- Analyzing survey response and prioritizing ESG issues based on stakeholder input.

In the future, we aim to gain a more comprehensive understanding of stakeholders' expectations and suggestions, incorporating these insights into management decisions. This will lay the foundation for us to develop effective ESG strategies and provide a valuable reference for resources allocation.

Currently, we have established the *Risk Management Control Procedure* to systematically identify, assess, and manage risks across the Group, including ESG-related risks such as environment and occupational health and safety risk, information security risks, and product safety risks. When evaluating the impact of ESG risks, we consider the severity of the risks (assessing potential harm quantitatively) and the frequency of their occurrence. The severity is evaluated based on the potential damage caused, considering the broad-ranging impacts and harm in the event of potential risk occurrence. The occurrence frequency is defined on a 5-level scale for ease of identification and definition. The Risk Factor is then calculated as the product of the severity level and the frequency level (Risk Factor = Risk Severity Level * Risk Frequency Level).

The magnitude of the Risk Factor determines the measures to be taken. If the potential risks can be effectively avoided by measures, a risk avoidance plan shall be developed, and the risk avoidance measures shall be determined and implemented until risks are eliminated partially or completely. In case there is no available plan for risk avoidance, effective risk reduction measures shall be taken to reduce the impact of potential risks.

In the future, we aim to expand the scope of ESG risk management, including the incorporation of climate-related risks. This demonstrates our commitment to proactive and evolving risk management practices aligned with ESG considerations.

BUSINESS

Emissions and Environment

We prioritize environmental responsibility through the implementation of comprehensive policies addressing each type of emission, including the *Regulations on Waste Water, Waste Gas and Noise Management*, the *Regulations on Waste Management*, and the *Regulations on Chemical Safety Management*. Pursuant to the governing environmental laws and regulations, we have built requisite environmental treatment facilities affiliating to the manufacturing facilities, where waste air, wastewater and solid wastes generated can be treated properly in accordance with the relevant provisions. Our commitment extends to ensuring environmental compliance through measures such as regular monitoring and measurement of the environmental performance, compliance evaluation, internal audits, employee training, and technological enhancements designed to minimize emissions.

The table below summarizes our absolute emissions and environmental data during the Track Record Period:

	Year ended December 31,			Four months ended April 30,
	2021	2022	2023	2024
GHG emissions				
Total GHG emissions				
(tonnes CO ₂ e)	6,077.881	10,481.991	9,311.530	3,011.063
Scope 1 (tonnes CO ₂ e)	0.698	1.073	5.010	276.460
Scope 2 (tonnes CO ₂ e)	6,077.183	10,480.918	9,306.520	2,734.603
Air emissions				
Particulate Matter				
(tonnes)	0.004	0.003	0.004	0.076
VOCs (tonnes)	0.150	0.270	0.297	0.066
Waste				
Non-hazardous waste				
(tonnes)	452.878	1,082.619	1,286.206	771.595
Hazardous waste (tonnes)	8.254	61.532	59.032	21.970
Water pollutants				
Total wastewater				
discharge (tonnes)	10,137.100	21,686.300	25,826.002	9,575.690
Chemical Oxygen				
Demand (tonnes)	0.513	1.098	1.340	0.514
Biological Oxygen				
Demand (tonnes)	0.104	0.222	0.278	0.110
Suspended Solids				
(tonnes)	0.106	0.228	0.297	0.124

BUSINESS

Notes:

- (1) Unless otherwise specified, the scope of environmental data disclosure includes our operational production facilities and offices during the Track Record Period.
- (2) For our offices in the United States, environmental data collection has not been undertaken due to lease agreement constraints.
- (3) Regarding our Putian facility, data collection is limited to waste-related information due to the facility’s rent-free arrangement.
- (4) The sources of Scope 1 GHG emissions encompass diesel, fire-fighting gases and nature gas (nature gas consumption only in 2024), while Scope 2 GHG emissions originate from electricity consumption.
- (5) With the expansion of production capacity, emission data shows a continuous increasing trend.
- (6) Scope 1 carbon emissions data increased in 2024 due to Hefei facility III using natural gas in 2024.
- (7) Particulate Matter increased in 2024 as Pune facility commenced production in January 2024.

Our emissions data are consistently benchmarked against industry average to assess performance and identify areas for improvement. Comparing with the peer companies in 2023, our emissions intensity is lower than the industry average. We believe this is attributable to the following factors:

- We are specialized in battery system and do not produce battery cells, so we do not generate industrial wastewater in our production processes, only discharging domestic wastewater;
- Our consumption of non-renewable fuels (direct energy) is limited to a small amount of diesel (used for Diesel Generator set in case of a power failure), and indirect energy is sourced through purchased electricity; and
- We are actively adopting electric vehicles, photovoltaic power generation, and other sustainable practices. For the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, our self-built distributed photovoltaic generation amounted to 388.6 MWh, 407.1 MWh, 1,082.4 MWh and 284.6 MWh, respectively.

BUSINESS

The following table sets forth our emissions and environmental intensity data for the periods indicated:

	Year ended December 31, 2023	Four months ended April 30, 2024
GHG emissions		
Scope 1 (tonnes CO ₂ e/million RMB)	0.001578	0.291482
Scope 2 (tonnes CO ₂ e/million RMB)	2.930292	2.883186
Air emissions		
Particulate Matter (tonnes/million RMB)	0.0000013	0.0000801
VOCs (tonnes/million RMB)	0.0000936	0.0000700
Waste		
Non-hazardous waste (tonnes/million RMB)	0.404980	0.813519
Hazardous waste (tonnes/million RMB)	0.018587	0.023164

Note:

- (1) Each type of emission intensity is calculated by the emission quantity (tonnes)/total revenue (million RMB) in the relevant period.

We are working on improving our data collection to ensure the accuracy. While our emissions data are currently managed internally, we recognize the importance of external validation. After the [REDACTED], we plan to engage external advisors to conduct emissions audits, further elevating the transparency and reliability of our emissions reporting.

Currently, our GHG emissions classification adheres to the GHG Protocol standards, encompassing Scope 1 and 2 emissions that under the direct ownership and operational control of the business. Scope 3 emissions, as categorized by the GHG Protocol, include indirect emissions that occur in a company’s value chain such as business travels, purchased goods and services and employee commuting. We have recognized the significance of managing Scope 3 emissions. Following the [REDACTED], we plan to engage a third-party ESG advisor to assist us in systematically collecting Scope 3 data, to offer a more comprehensive insight into our emission profile.

Recognizing the evolving landscape of environmental concerns, we are preparing to conduct a thorough evaluation of the impact of emissions/wastes from lithium-ion batteries. This assessment, supported by data-driven insights, will inform a strategic roadmap for mitigating these impacts, reinforcing our dedication to sustainable practices and the continual improvement of our environmental performance. In addition, our CTO, Dr. Lao Li, has been

BUSINESS

appointed to the Technical Committee of the Environmental Product Declaration (EPD) Platform in the Chinese battery industry. This strategic role will bring valuable expertise to enhance our future impact assessment initiatives.

Social, Occupational Health and Safety

We strictly comply with local laws and regulations concerning occupational safety and labor employment. We adhere to the *Labor Law of the People’s Republic of China* and the *Labor and Employment Law of the United States*, the *Employment and Labor Law of India*, as well as several conventions under International Labor Standards, which address labor practices (including child labor), working conditions, and environment. See the sections headed “Regulatory Overview — Laws and Regulations in Relation to Our Business in the PRC — PRC Regulatory Overview — Laws and regulations relating to production safety,” “Regulatory Overview — Laws and Regulations in Relation to Our Business in the United States — Employment and Labor Laws” and “Regulatory Overview — Laws and Regulations in Relation to Our Business in India — Employment and Labor Laws” for further details.

We have obtained an ISO45001:2018 occupational health and safety management systems certification, which recognizes our compliance with international standards of safety management. We have a policy and have set up the procedures regarding workplace safety and healthy work environment. We have implemented the *Human Resources Control Procedure* and developed an *Employee Handbook* to ensure compliance with the aforementioned laws and conventions. As part of these measures, we strictly forbid the employment of workers below the legal working age by conducting thorough ID checks during the recruitment process. Additionally, we have policies in place to prevent any department, individual, or subcontractors from facilitating the hiring of individuals under the age of 18. Regarding overtime work, we have established guidelines that require employees to obtain prior authorization from their supervisor before engaging in overtime. In case of failure to apply in time due to special circumstances, the overtime application procedures shall be completed in the next day to ensure strict compliance with overtime policies. All employees are eligible for compensatory leave or salary for any overtime work they perform.

In our agreements with subcontractors, we ensure that all subcontractors are aware of and agree to adhere to proper recruitment management practices and that any overtime work performed by their employees is compensated properly.

We have comprehensive records on all accidents in our workplace, including information on the employee involved, date, time, reasons and place of the accident and future precaution measures. Our Directors confirm that there were no material accidents, work injury claims for personal or property damages, compensation to staff or any other incidents arising from non-compliance with occupational health and safety laws and regulations during the Track Record Period and up to the Latest Practicable Date. We did not have any incidences of occupational diseases and material casualties in the past three years.

BUSINESS

Employment

We state in the *Employee Handbook* that we are an equal employment opportunity employer and strives to comply with all applicable laws prohibiting discrimination based on race, religion, color, creed, sex, age, national origin or ancestry, physical or mental disability, pregnancy, childbirth or related medical condition, military and veteran status, marital status, intern or volunteer status, medical condition, sexual orientation, gender identity, as well as any other category protected by federal, state, or local laws.

Our workforce is composed of employees from different age groups with various cultural backgrounds. The table below shows a summary of the composition of the workforce as of April 30, 2024:

<u>Category</u>	<u>Number of employees</u>
Total employees	1,186
By gender	
Male employees	911
Female employees	275
By age	
Employees aged under 30	506
Employees aged between 30-50	650
Employees aged over 50	30
By region	
China	992
India	176
United States	18

In accordance with local Labor Laws and the *Employee Handbook*, we explicitly prohibit any type of discriminations. We have a strict policy and complaint procedure that ensure an immediate, thorough, and objective investigation of any claim of prohibited harassment, appropriate disciplinary action against one found to have engaged in prohibited harassment, and appropriate remedies for any victim of harassment. Individuals experiencing or witnessing harassment, including towards customers or contractors, should promptly report it to their supervisor, any other supervisor within the Group, or directly to the Board. We have a zero-tolerance policy towards discrimination and harassment, and any substantiated claims will be taken seriously and handled appropriately. Anyone performing services for the Group, whether an employee, supervisor, co-worker, or independent contractor, found engaged in prohibited harassment may face disciplinary action, up to and including termination.

Moreover, the Group strictly prohibits any form of retaliation against any employee or independent contractor by another employee, independent contractor or by the Group for submitting a report of prohibited discrimination and harassment and for cooperating in any investigation. Any supervisor or employee found to have engaged in retaliation will face disciplinary action, which may include termination of employment.

BUSINESS

We emphasize the importance of maintaining a safe and inclusive work environment, and we encourage all employees to come forward with any concerns or incidents of discrimination or harassment. By fostering a culture of trust and accountability, we strive to ensure that all employees are treated with dignity and respect. To further enhance employee rights and equal opportunity, any qualified applicant or employee with a disability who requires an accommodation to perform the essential functions of the job should contact his or her supervisor or the President and request an accommodation.

To standardize employee dismissal management and protect the legal rights and interests of both the Group and employees, the *Employee Dismissal Management Regulations* have been developed in accordance with relevant government regulations and provisions of labor contracts. These regulations specifically outline the departure and handover processes for non-senior management personnel and senior management personnel.

We highly prioritize employees’ benefit as it plays an important role in employees’ rights and wellbeing. In accordance with the *Human Resources Control Procedure*, apart from the welfares required by laws and regulations (such as social insurance, housing provident fund and paid leaves) our employee will also be eligible to benefits and welfare such as various allowances, compensations, health examination, free travel, training, and further education opportunities.

Use of Resources

- (1) Our production operations involve the utilization of various materials. The quantity of materials used in our operational processes is detailed in the following table:

Category	Unit	Year ended December 31,			Four months ended
		2021	2022	2023	April 30, 2024
Cell	kWh	4,739,053	10,494,182	10,174,975	4,079,963
Casing	Set	304,529	539,634	367,283	97,713
Harness	Set	304,529	539,634	367,283	97,713
Integrated Circuit	Pcs	1,981,829	2,648,849	2,497,688	1,262,644
Plastic Box	Set	500	600	400	100
Cardboard Box	Set	133,320	178,922	157,466	7,220
Metal Shelf	Set	5,000	6,200	2,220	200

During the production activities utilizing these materials, we will generate emissions, wastewater, and waste, which have certain environmental impacts. Failure to comply with environmental laws and regulations may result in fines, production halts, or closures. To ensure responsible practices, we have established and operate an environmental management system in accordance with ISO 14000 requirements to control environmental

BUSINESS

management risks. We have established the *Risk Management Control Procedure* to systematically identify, assess, and manage risks across the Group, including environmental and occupational health and safety risks. When evaluating these risks, we consider their severity (quantitatively assessing potential harm) and the frequency of occurrence. The Risk Factor is then calculated as the product of the severity level and the frequency. Based on the risk factor, corresponding measures are formulated to control and mitigate the identified risks.

To maximize material efficiency, we prioritize the reuse of Circulation Equipment, standardize sizes of aluminum plates to minimize waste, and explore innovative materials. Our approach extends to the dispensing process, where we use bulk adhesive to reduce packaging waste and enhance production efficiency. Additionally, the deployment of versatile and automated equipment ensures universality, eliminating resource wastage, and improving overall operational efficiency while minimizing energy consumption. Moreover, we implement comprehensive waste management practices, including the regular sale and collection of recyclables such as waste cardboard and wooden pallets.

- (2) We regularly engage environmental assessment agencies to review our production processes, quantitatively assessing environmental impacts like pollution sources and emissions. Our production facilities and products are designed in accordance with relevant environmental laws and industry standards. For projects involving upgrades, we conduct environmental impact assessments during the feasibility study, ensuring compliance. We recognize our potential impact in the industry and commit to enhancing specific assessments of our impacts on the industry to contribute to industry advancement.
- (3) Regarding the use of resources, we acknowledge the potential impact of changes in social trends and political policies on the industry. We remain vigilant and adaptable, ready to align our strategies with evolving social and political landscapes.

Social Trend: The global awareness of environmental issues has led to a growing emphasis on the efficient use of resources and the utilization of recycled materials. This trend is particularly evident in the automotive industry, where there is a push towards exploring greener materials. China, a major market for us, has witnessed a significant increase in the use of recycled aluminum, recycled plastics, and bio-based plastics in recent years.

Furthermore, as more and more electric vehicle manufacturers prioritize sustainability, they are demanding their suppliers to use eco-friendly materials. As a player in the electric vehicle value chain, it is likely that we will receive stringent green sourcing requirements from our clients. Therefore, it is imperative that we enhance our awareness of resource use and increase our investment in green materials, as well as making technical and management improvements to enhance resource efficiency in our operations.

BUSINESS

Policies: The Chinese government has adopted a number of policy instruments to strengthen the economy and conserve resources. China is also one of the first countries to embrace the circular economy approach as a new paradigm for economic and industrial development. China’s Circular Economy Promotion Law came into force in 2009 and aims to improve resource efficiency and protect the environment. In China’s 14th Five-Year Plan for Circular Economy, the goal is to establish a resource recycling system in the country by 2025. This will involve the widespread adoption of green design and clean production, as well as a significant improvement in resource utilization capabilities. As a participant in the Chinese market, we can anticipate facing stringent government regulations on water and electricity conservation in our production processes. Additionally, we may receive more incentives to explore greener and cleaner solutions for the industry.

Climate Change

We are continually monitoring the impacts on our business from climate change and climate-related changes in domestic and foreign laws and regulations. We have established a board-level ESG committee which oversees and evaluates ESG-related issues (including climate-related risks and opportunities) and reviews and updates policies related to climate change on a regular basis.

As a member of the EV battery system industry, we have undertaken a preliminary identification of significant risks and opportunities posed by climate change to our business, strategy, and financial performance. The specifics are outlined in the table below:

Type		Description	Impacts
Physical risks	Acute	Exposure to severe weather events like typhoons and floods may disrupt factory production and compromise pollution control equipment, posing risks to environmental safety.	Supply chain disruptions, facility damage, potential delays, and increased costs.
	Chronic	Long-term effects such as global warming and water resource shortages may lead to persistent damage to production facilities, resulting in escalating maintenance costs and declining production efficiency.	Increased maintenance costs, decreased production efficiency.

BUSINESS

Type		Description	Impacts
Transition risks	Policy and legal	Compliance with increasingly stringent environmental policies and the potential inclusion in future carbon trading systems may have financial implications. Compliance challenges and emission restrictions could affect various industrial bases, potentially reducing production capacity.	Increased costs, regulatory compliance challenges.
	Technology	Short iteration cycles in new energy vehicle technology may diminish product competitiveness if not addressed promptly. Potential unsuccessful investment in emerging technologies poses a risk of financial performance decline.	Decreased product competitiveness, potential financial performance decline.
	Market	Shifting consumer preferences, heightened carbon reduction demands, raw material shortages, and inadequate electric vehicle infrastructure may lead to increased production costs, decreased market share, and lower revenue.	Increased production costs, decreased market share, and revenue.
	Reputation	Lagging behind industry climate action or inadequate climate risk management may result in severe environmental impacts, threatening the Group’s reputation.	Reputation damage, loss of customer trust, and negative public perception.
Opportunities	Product demand	The global trend toward sustainable transportation solutions creates growth opportunities for EVs and green technologies.	Increased market share, and enhanced profitability.
	Investor interest	Interest from sustainability-focused investors provides avenues to secure increased capital.	Increased capital availability.
	Energy source	Advancements in technology may reduce energy costs by implementing more efficient processes and systems.	Reduced operational costs.

BUSINESS

We have established a robust risk management framework and processes for risk identification, assessment, and management. After the [REDACTED], we will integrate climate change risks into routine risk management procedures, actively seeking to identify, assess, and mitigate these risks. Our commitment includes ongoing monitoring of international, national, and industry trends, promptly identifying and updating policies related to the Group concerning climate change risks and opportunities, encompassing policy and legal, technological, market, and extreme weather factors. After risk identification, respective departments will assess the impacts and devise mitigation strategies.

Moving forward, we will systematically advance climate change mitigation efforts, developing comprehensive climate-related policies, setting short-term, mid-term, and long-term carbon reduction targets, and conducting regular reviews and optimizations to steadily progress in climate change management. Specific details on our current carbon emission metrics can be found in the section headed “— Emissions and Environment” above.

Supply Chain

- (1) The table below presents details of the suppliers we collaborated with during the Track Record Period, including the number of suppliers and their geographical distribution.

Number of Suppliers (companies)	Year ended December 31,			Four months ended April 30,
	2021	2022	2023	2024
By region				
China	367	420	538	559
India	1	N/A	2	14
United States	1	N/A	3	3
United Kingdom	N/A	N/A	2	2
Korea	N/A	N/A	N/A	N/A
Total	369	420	545	578

We effectively manage environmental and social risks throughout our supply chain by following our *Supplier Management Control Procedure*. This procedure involves conducting regular audits and checks at various stages of a supplier’s lifecycle to address any environmental and social concerns.

When selecting new suppliers for production materials, we have a stringent qualification process that includes evaluating their environmental, health, and safety (EHS) qualifications. Additionally, we conduct on-site EHS audits to ensure compliance. We give preference to suppliers with robust EHS systems in place. Once a supplier is approved and included in our supplier list, we further emphasize our commitment to

BUSINESS

ethical business practices by signing a *Sunshine Procurement Agreement*. In our day-to-day management, we utilize a *Supplier Risk Identification Form* to identify and collect information on supplier risks. We then analyze these risks and take appropriate follow-up actions to mitigate them.

- (2) We actively promote and encourage our suppliers to offer environmentally-friendly products and services. As part of our procurement agreement, we have made it mandatory for our suppliers to have an ISO 14001 environmental management system in place. This ensures that they have effective measures in place to manage environmental impact.

To foster a strong partnership with our suppliers, we maintain open lines of communication through regular daily interactions and training sessions. These interactions serve as platforms to demonstrate our commitment to environmental sustainability and discuss any concerns or improvements that can be made. After [REDACTED], we will continuously cooperate with our suppliers to explore and implement initiatives related to green materials, green logistics, and other environmentally-friendly practices.

- (3) We prioritize sourcing recycled and recyclable materials from our suppliers to align with our commitment to sustainability. We prioritize procurement from suppliers that provide recycled or easily recyclable materials.

Recyclable materials — Approximately 51% of the materials we purchase are reusable and/or recyclable. Specifically, these include sheet metal parts, aluminum/copper flex connectors, aluminum base plates, aluminum electrode plates, aluminum parts, aluminum fin, plastic parts, and copper bars.

Recycled material — We procure a specific type of plastic container that incorporates recycled materials, with an average recycled content ratio ranging from 3%-5%.

INTERNAL CONTROLS AND RISK MANAGEMENT

We are committed to establishing and maintaining risk management and internal control systems. We have adopted and implemented a comprehensive risk management policy encompassing risks that may arise in EDD, procurement management, manufacturing management, sales management, and the construction of new projects. Our risk management and internal control systems also cover the general functional operations such as human resources, financial management, asset management, warehousing and logistics management, information system management and corporate governance as well as decision-making processes. Meanwhile, we are committed to supervising and evaluating the effectiveness of risk management and internal control system to ensure that the system is rectified and effectively controlled as our business develops.

We pursue a zero-tolerance policy towards bribery, corruption, extortion and embezzlement. We have adopted internal procedures that contain relevant requirements for confidentiality, integrity, conflicts of interest and other guidelines on the code of behaviors. We

BUSINESS

also provide our employees with education in respect of anti-bribery and anti-corruption through various channels such as integrity training at the same time publicizing the integrity regulations to our suppliers. We have put in place a whistle-blowing channel where external suppliers, employees and other relevant parties can file complaint or report violation acts.

To ensure the quality, efficiency, compliance and transparency of bidding and procurement of new projects, we have a bidding evaluation team covering professional technology and economics to participate in the selection of suppliers in the bidding and procurement process. At the same time, we have established a supervision mechanism for the bidding and procurement process, supervised by internal control team to impose control on compliance in the process of reviewing potential candidates’ qualifications and bidding document and in the tender process, providing consulting services to business activities on bidding and procurement risks.

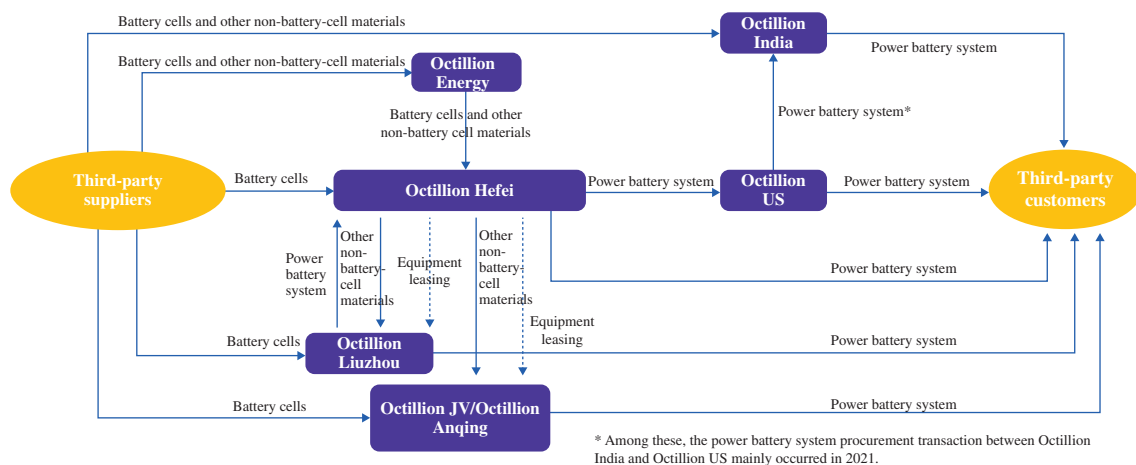
TRANSFER PRICING ARRANGEMENTS

Intra-group Transactions

During the Track Record Period, we mainly conducted business through constituent entities, namely Octillion Hefei, Octillion JV, Octillion Anqing, Octillion Liuzhou, Octillion Energy, Octillion India and Octillion US. Among these entities, Octillion Hefei, Octillion JV, Octillion Anqing, Octillion Liuzhou and Octillion India¹ are responsible for manufacturing, Octillion Energy is the procurement entity, while Octillion US is positioned as a distribution entity.

The following flow charts illustrate the primary intra-group transactions during the Track Record Period:

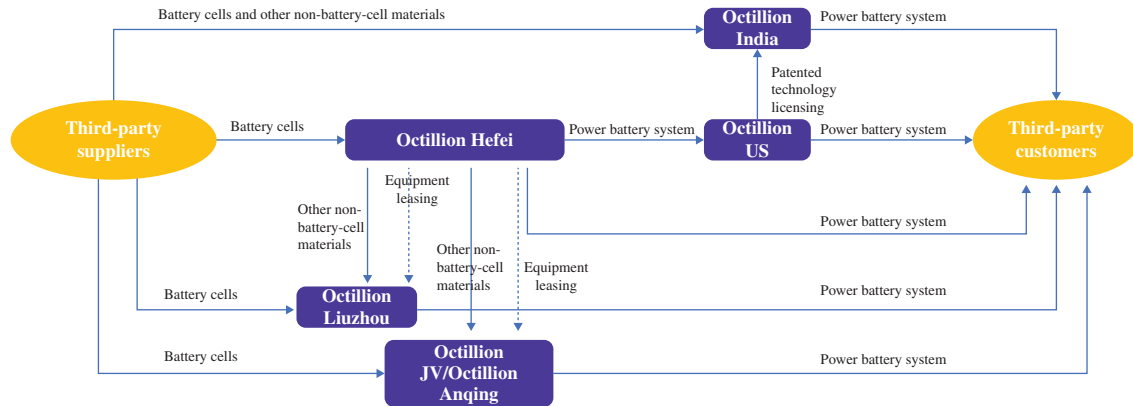
From January 1, 2021 to December 31, 2022



1 In 2021, Octillion India was primarily positioned as a distribution entity.

BUSINESS

From January 1, 2023 to April 30, 2024



As illustrated above, the following transactions were regarded as our intra-group transactions during the Track Record Period (collectively, the “**Intra-Group Transactions**”):

- Sales of battery systems from Octillion US to Octillion India (from January 1, 2021 to December 31, 2021);
- Sales of battery systems from Octillion Hefei to Octillion US;
- The purchases and sales of battery cells and other non-battery cell materials, as well as equipment leasing transactions among Octillion Energy, Octillion Hefei, Octillion Liuzhou, Octillion JV and Octillion Anqing; and
- Patented technology licensing transactions from Octillion US to Octillion India.

Transfer Pricing Assessment

The Organization for Economic Cooperation and Development (the “**OECD**”), an international organization of international cooperation, promulgated the transfer pricing guidelines for multinational enterprises and tax administrations (the “**OECD Transfer Pricing Guidelines**”).

According to the OECD Transfer Pricing Guidelines, the Intra-Group Transactions should be at arm’s length basis to avoid distorted taxable income in different jurisdictions. The arm’s length principle is respected by all tax jurisdiction of our constituent entities, including China, India and the United States.

In order to ensure compliance with the relevant transfer pricing regulations, we have engaged an independent transfer pricing consultant, KPMG Advisory (China) Limited (“**KPMG**”), to review the reasonableness of the identified related-party transactions to be tested (the “**covered transactions**”) during the Track Record Period in accordance with the China’s transfer pricing regulations and the OECD Transfer Pricing Guideline.

BUSINESS

The covered transactions were identified as below:

- (a) Sales of battery systems from Octillion US to Octillion India (from January 1, 2021 to December 31, 2021);
- (b) Sales of battery systems from Octillion Hefei to Octillion US; and
- (c) The purchases and sales of battery cells and other non-battery cell materials, as well as equipment leasing transactions among Octillion Energy, Octillion Hefei, Octillion Liuzhou, Octillion JV and Anning Octillion JV.

During the Track Record Period, there were Intra-Group Transactions between Octillion India and Octillion US. Based on the functional risk analysis performed by KPMG, the transactional net margin method (“**TNMM**”) was adopted, and Octillion US was selected as the tested party. The gross margin was selected as the profit level indicator (“**PLI**”) to evaluate the reasonableness of the sales of battery systems from Octillion US to Octillion India.

During the Track Record Period, there were Intra-Group Transactions between Octillion Hefei and Octillion US. Based on the functional risk analysis performed by KPMG, TNMM was adopted, and Octillion US was selected as the tested party. The gross margin was selected as the PLI to evaluate the reasonableness of the tested transaction.

During the Track Record Period, there were Intra-Group Transactions among Octillion Energy, Octillion Hefei, Octillion Liuzhou, Octillion JV and Octillion Anqing. Based on the functional risk analysis performed by KPMG on Octillion Energy, Octillion Hefei, Octillion Liuzhou, Octillion JV and Octillion Anqing, TNMM was adopted, while Octillion Hefei and Octillion Liuzhou were selected as the tested parties. The operating margin was selected as the PLI to evaluate the reasonableness of the tested transactions.

Under the TNMM supported by using benchmarking study, a range of reasonable profit level was derived from comparable companies (the “**Comparable Profit Level Range**”). The Comparable Profit Level Range determined through the benchmarking study followed the OECD Transfer Pricing Guidelines and can be regarded as an arm’s length profit level range.

BUSINESS

KPMG has performed benchmarking studies for the covered transactions and is of the opinion that the profit level of tested parties is within the Comparable Profit Level Range, which can be regarded as the arm's length profit range for the covered transactions in accordance with China's transfer pricing regulations and OECD Transfer Pricing Guidelines. For the patented technology licensing transactions involving Octillion US and Octillion India, we have engaged another external tax consultant to conduct a benchmarking analysis. The external tax consultant is of the view that such transactions met the arm's length standard required under the applicable transfer pricing regulations in India.

Based on the above-mentioned analysis, our Directors believe the prices and profit levels of the Intra-Group Transactions were in line with the arm's length principle or at fair value in accordance with the applicable transfer pricing laws and regulations and guidelines, the Intra-Group Transactions were therefore conducted on arm's length basis and no potential unfavorable tax impact on the Group has been observed.

Meanwhile, we are not aware of any inquiries, audits, or investigations by any relevant tax authority in China, India and the United States during the Track Record Period and up to the Latest Practicable Date.

We believe that above reflects reasonable interpretations of transfer pricing regulations and the OECD Transfer Pricing Guidelines, which is not binding on any tax authority. Consequently, the above should not be taken as an assurance that any tax authority will agree with or that we would prevail against a potential transfer pricing challenge.

We have adopted the following measures to ensure ongoing compliance with relevant transfer pricing regulations in China, India and the United States:

- Monitor the transfer pricing arrangement under the Intra-Group Transactions continuously to ensure compliance with the arm's length principle under the applicable transfer pricing laws and regulations and the OECD Transfer Pricing Guidelines;
- Arrange training for responsible officer on the latest information regarding transfer pricing regulations in relevant jurisdictions to ensure no material discrepancies between the existing transfer pricing arrangement and the latest applicable transfer pricing regulations;
- All forms to be filed to the relevant tax authorities in relation to the transfer pricing arrangement will be reviewed by any two executive Directors or any other authorized officer(s);
- The benchmark study of the transfer pricing arrangement will be updated regularly to reflect the corresponding market conditions; and
- Prepare transfer pricing compliance documents annually.

BUSINESS

PROPERTY INTERESTS

As of the Latest Practicable Date, we did not own any properties and we leased the following real properties from Independent Third Parties to support our business activities and operations.

The table below sets out the particulars of the properties leased by us as of the Latest Practicable Date:

<u>No.</u>	<u>Location</u>	<u>Usage</u>	<u>Gross floor area</u> <i>(sq.m.)</i>	<u>Lease period</u>
China				
1.	Hefei, Anhui	Office and manufacturing	37,724	January 1, 2024 – December 31, 2026 ⁽¹⁾
2.	Hefei, Anhui	Office and manufacturing	20,067	July 2, 2022 – July 1, 2024 ⁽²⁾
3.	Hefei, Anhui	Office and manufacturing	77,500	December 1, 2023 – November 30, 2025
4.	Anqing, Anhui	Office and manufacturing	17,919	July 1, 2023 – June 30, 2024 ⁽²⁾
5.	Anqing, Anhui	Warehousing	7,710	October 25, 2022 October 24, 2024
6.	Putian, Fujian ⁽³⁾	Manufacturing	4,800	June 1, 2017 May 31, 2025
7.	Liuzhou, Guangxi	Office and manufacturing	12,150	September 24, 2021 – September 23, 2026
8.	Liuzhou, Guangxi	Office and manufacturing	2,536	May 8, 2022 – September 23, 2026
9.	Liuzhou, Guangxi	Office and manufacturing	14,416	October 8, 2022 – September 23, 2026

BUSINESS

<u>No.</u>	<u>Location</u>	<u>Usage</u>	<u>Gross floor area</u> <i>(sq.m.)</i>	<u>Lease period</u>
India				
10.	Pune	Office	730	November 22, 2023 – November 21, 2024
11.	Pune	Manufacturing	6,312	February 2, 2022 – February 1, 2027
12.	Pune	Manufacturing	8,742	July 15, 2023 – July 14, 2028
13.	Pune	Office	1,359	February 1, 2024 – January 31, 2029
United States				
14.	Richmond, California	Office	637	June 1, 2021 – May 31, 2026
15.	Reno, Nevada	Manufacturing	3,697	July 1, 2024 – September 30, 2029

Notes:

- (1) Our headquarters in Hefei, namely Hefei facility I, occupies four floors and is leased to us under two lease agreements with the same lease period.
- (2) We are discussing the renewal of the lease agreement with the lessor.
- (3) At the request of Customer E, we have established our Putian facility on the vehicle assembly plant of the said customer on a rent-free basis.

As of the Latest Practicable Date, we had not registered nine of our lease agreements, which correspond to properties numbered one to nine in the table above, with the relevant competent authorities in accordance with PRC laws and regulations. This was primarily due to the difficulty of procuring the relevant landlords’ cooperation to register their leases. As advised by our PRC Legal Advisors, failure to register the lease agreements would not affect the validity and enforceability of such lease agreements or result in us being required to vacate the leased properties. However, we may be ordered by the PRC government authorities to rectify such non-compliance and, if we fail to do so within a given period of time, we may be subject to fines ranging from RMB1,000 and RMB10,000 for each of our unregistered lease agreements. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any administrative penalties by the relevant competent authorities. We will take all practicable and necessary steps to liaise with our landlords in a timely manner to ensure that the unregistered lease agreements are registered should we be ordered by the relevant PRC government authorities to complete such registration within a stipulated timeframe.

BUSINESS

In light of the above reasons and advice from our PRC Legal Advisors, our Directors are of the view that the maximum possible fines in relation to the lack of registration for the lease agreements amounts to RMB90,000, and the defects of our leased buildings would not have a material adverse effect on our business operations and financial condition taken as a whole. As of the Latest Practicable Date, we were not aware of any action, claim or investigation being conducted or threatened by the competent government authorities with respect to the defects in our leased properties.

LICENSES, PERMITS AND APPROVALS

Our Directors confirmed that we had obtained all necessary licenses, approvals and permits from the relevant authorities for conducting operating activities that are important to our operations, and such licenses, approvals and permits are still valid as of the Latest Practicable Date. For further details of the laws and regulations we are subject to, see the section headed “Regulatory Overview.”

LEGAL COMPLIANCE

We have detailed compliance procedures to identify and control the legal risks in our operations. Our legal and compliance department strictly follows the policies to track the validity of our license and permits. They also supervise the lawful execution of our contracts. We have obtained legal advice from our PRC Legal Advisors and our Indian and US legal counsels on our compliance with the applicable laws and regulations. Therefore, our Directors confirmed that, save as disclosed in the sections headed “Risk Factors — Risks Related To Our Business and Industry — Our interests in leased properties may be defective and we did not complete lease registration for certain properties,” “Risk Factors — Risks Related To Our Business and Industry — We may be subject to fines and penalties under PRC laws for failure to make full contributions for social insurance and housing provident funds for our employees,” “— Employees — Social Security and Pension Contributions” and “— Property Interests” above, we had complied with all applicable laws and regulations in the jurisdictions where we operate, namely the PRC, India and the United States, in all material respects during the Track Record Period and up to the Latest Practicable Date.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge after having made reasonable enquiries, there was no litigation or arbitration or administrative proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our financial condition, results of operations or reputation.

CONNECTED TRANSACTIONS

ONE-OFF CONNECTED TRANSACTION

Property Lease Agreement

(i) Background

Our Group has been leasing certain properties from JAC as our manufacturing base and offices since January 2018. For each of the three years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, the rent paid by the Group to JAC amounted to approximately RMB9.5 million, RMB7.1 million, RMB7.1 million and RMB5.0 million, respectively.

As the Group has historically leased from JAC certain properties as manufacturing base and offices, in order to avoid unnecessary relocation costs and disturbance to the Group’s operations, it is in the interests of the Group in terms of cost, time and stability to enter into a property lease agreement. Octillion Hefei and Octillion JV as lessees and JAC (Engine Branch Company) as lessor entered into property lease agreements (the “**Property Lease Agreements**”), pursuant to which Octillion Hefei and Octillion JV agreed to lease from JAC (Engine Branch Company) certain premises with a total gross area of approximately 37,723.5 sq.m. in Hefei, PRC primarily for use as manufacturing base and offices at a monthly rent of approximately RMB827,000 for the first year, RMB877,000 for the second year and RMB941,000 for the third year for a term from January 1, 2024 to December 31, 2026.

Our Directors are of the view that the Property Lease Agreements are conducted on normal commercial terms or better, are entered into in the ordinary and usual course of business of our Group, the terms of the leases are fair and reasonable and are in the best interest of our Group and the Shareholders as a whole.

(ii) Listing Rules implication

Octillion JV, our non-wholly owned subsidiary, is held as to 50% by JAC, and therefore JAC is our connected person at the subsidiary level. Accordingly, the transactions under the Property Lease Agreements constitute connected transactions of our Company under the Listing Rules.

In accordance with IFRS 16 “Leases” (which became effective from January 1, 2019), the Property Lease Agreements are recognized as a right-of-use asset on our balance sheet. The value of the right-of-use assets recognized under the Property Lease Agreements is expected to be RMB27.4 million. Therefore, the entering into of the Property Lease Agreements will be regarded as one-off connected transactions upon [REDACTED], rather than continuing connected transaction. Accordingly, the reporting, announcement, annual review and independent shareholders’ approval requirements in Chapter 14A of the Listing Rules will not be applicable.

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTION FULLY EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS’ APPROVAL REQUIREMENTS

We have entered into the following types of transactions with JAC during the Track Record Period which will continue after the [REDACTED], including:

- (1) purchase of materials by our Group from JAC;
- (2) receipt of services including labor and shuttle bus services for our employees by our Group from JAC;
- (3) provision of product post-warranty services by our Group to JAC; and
- (4) quality claim of our products.

Octillion JV, our non-wholly owned subsidiary, is held as to 50% by JAC, and therefore JAC is our connected person at the subsidiary level.

As each of the transactions above is made in the ordinary and usual course of business and on normal commercial terms and the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules in respect of each of the transactions above is expected to be less than 1%, and the transactions are connected transactions only because they involve a connected person at the subsidiary level, according to Rule 14A.76(1)(a) of the Listing Rules, each of these transactions will constitute a de minimis continuing connected transaction of our Company upon [REDACTED] that will be fully exempt from reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTION SUBJECT TO THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS’ APPROVAL REQUIREMENTS

Sale of Products by our Company to JAC

(i) *Background*

As disclosed in the section headed “Business” in this document, JAC has been one of our largest customers. On [●], our Company entered into a master supply agreement (the “**Master Supply Agreement**”) with JAC (for itself and on behalf of its subsidiaries and associates excluding Octillion JV and Octillion Anqing) (“**JAC Group**”), pursuant to which JAC will purchase, or procure the other members of the JAC Group to purchase, from our Group products including EV battery systems and raw materials. The Master Supply Agreement has a term commencing from the [REDACTED] to December 31, 2026. Relevant members of both parties will enter into separate supply agreements setting out the specific terms and conditions based on the principles provided in the Master Supply Agreement.

CONNECTED TRANSACTIONS

(ii) Historical amounts

For each of the three years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, the transaction amounts in relation to the sale of products by our Group to JAC Group amounted to approximately RMB861.3 million, RMB1,745.6 million, RMB830.3 million and RMB137.3 million, respectively. The increase in sales to JAC Group from the year ended December 31, 2021 to December 31, 2022 was due to an increase in sales to JAC Group, subsequent to the market popularity of their EV model launched in second half of 2021 while the subsequent decrease in sales to JAC Group for the year ended December 31, 2023 was because certain EV models of JAC Group served by the Group, reached end of life cycle in 2023 and accordingly, JAC Group did not place orders as many as the previous year for such products, while JAC Group was developing new products for larger energy capacity segments with us in the first half of 2023 and only increased its purchase orders for mass production in the third quarter of 2023.

(iii) Pricing policy

The prices of the products and terms of the transactions will be determined on arm's length basis in the ordinary and usual course of business of our Group on a cost plus a gross profit approach with reference to (i) production costs such as raw material costs; (ii) the level of time and technical skill required; (iii) quantity of purchase order; (iv) delivery location; (v) labor cost; and (vi) the price and terms our Group offers to independent third parties on identical or similar products such that, in any event, such price and terms shall not be lower or more favorable than the price and terms our Group offers to independent third parties.

(iv) Proposed annual caps and their basis

Our Directors estimate that the maximum annual amount payable by JAC Group under the Master Supply Agreement for each of the three years ending December 31, 2024, 2025 and 2026 will not exceed RMB361.2 million, RMB874.7 million and RMB1,670.2 million, respectively.

In arriving at the above annual caps, our Directors have considered the following factors:

- the historical transaction amounts and growth trend during the Track Record Period;
- the estimated demand of JAC Group based on 31 nominated EV battery system projects as of the Latest Practicable Date taking into account JAC Group's production plans based on the expected number of vehicles to be produced for each vehicle model and new vehicle model to be launched. Out of the 31 nominated EV battery system projects, 17 projects are or will be at the product development stage or early stage of their life cycle with four projects being newly introduced in 2024 and four and seven projects expected to be introduced in 2025 and 2026, respectively. Therefore, an increase in JAC Group's demand for our products is expected;

CONNECTED TRANSACTIONS

- the current life cycle of the products, for which the number of products that is at the later stage of life cycle is expected to decrease, while that of products at the early stage of their life cycle is expected to increase;
- the estimated decrease in average unit price of our products taking into account (i) the estimated decrease in costs to be involved in the supply of products to JAC Group after the production process is stabilized and optimized; and (ii) the gradual decrease in the price of a vehicle model after launch; and
- the estimated increase in JAC Group's demand for our products in light of the forecast increase in installment units and volume of EV battery systems in the PRC.

(v) *Listing Rules implication*

Octillion JV, our non-wholly owned subsidiary, is held as to 50% by JAC, and therefore JAC is our connected person at the subsidiary level. Accordingly, the transactions under the Master Supply Agreement constitute continuing connected transactions of our Company under the Listing Rules.

As the highest applicable percentage ratios for the purpose of Chapter 14A of the Listing Rules is expected to be more than 5%, the transactions under the Master Supply Agreement are connected transactions for our Company which are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules upon [REDACTED].

APPLICATION FOR WAIVER

In respect of these continuing connected transactions, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange [has granted], waivers exempting our Group from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the transactions under the Master Supply Agreement, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above). Apart from the above waivers sought on the strict compliance of the announcement requirements, we will comply with the relevant requirements under Chapter 14A of the Listing Rules. If any terms of the transactions contemplated under the agreements mentioned above are altered or if our Company enters into any new agreements with any connected person in the future, we will fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

CONNECTED TRANSACTIONS

DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions under the Master Supply Agreement have been and will be carried out (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors (including our independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions under the Master Supply Agreement are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

JOINT SPONSORS' CONFIRMATION

The Joint Sponsors are of the view (i) that the continuing connected transactions under the Master Supply Agreement have been and will be entered into in the ordinary and usual course of our business, on normal commercial terms or better, that are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) that the proposed annual caps (where applicable) of such continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of eight Directors, of whom two are executive Directors, three are non-executive Directors and three are independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The functions and duties of our Board include but are not limited to convening Shareholders’ meetings and reporting our Board’s work at Shareholders’ meetings; implementing the resolutions passed at Shareholders’ meetings; determining business plans and investment plans; preparing annual budget proposals and final accounts proposals; preparing plans for profit distribution and recovery of losses; preparing plans for the increase or decrease in registered capital; and exercising other powers, functions and duties as conferred by the Articles of Association.

The table below sets out certain information in respect of the members of our Board.

Name	Position	Age	Date of appointment as Director	Time of joining the Group	Role and responsibility	Relationship with other Directors and senior management
Dr. Peng Zhou (周鵬)	Executive Director; Chairman; Chief Executive Officer	50	October 30, 2009	October 2009	Primarily responsible for the overall management, business, strategic development, operation and major decision-making of our Group	Nil
Mr. Yang Wang (王揚)	Executive Director; Co-president	58	June 15, 2023	February 2010	Primarily responsible for the business operation of our Group in the PRC	Nil
Ms. Tina Lin-chi Ju (汝林琪)	Non-executive Director	59	August 14, 2012	August 2012	Participating in decision-making in respect of major matters such as strategy	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Position	Age	Date of appointment as Director	Time of joining the Group	Role and responsibility	Relationship with other Directors and senior management
Mr. Alfred Tsai Chu (朱家駿)	Non-executive Director	48	June 15, 2023	June 2023	Participating in decision-making in respect of major matters such as strategy	Nil
Prof. Dr. Peter Jochem Heizmann	Non-executive Director	71	June 15, 2023	June 2019	Participating in decision-making in respect of major matters such as strategy	Nil
Dr. Chengwei Xiao (肖成偉)	Independent non-executive Director	53	March 13, 2018	March 2018	Primarily responsible for providing independent advice on the operation and management of our Group	Nil
Ms. Rui Shirley Xue (薛睿)	Independent non-executive Director	39	[●]	[●]	Primarily responsible for providing independent advice on the operation and management of our Group	Nil
Mr. Yang Dong (董揚)	Independent non-executive Director	67	[●]	[●]	Primarily responsible for providing independent advice on the operation and management of our Group	Nil

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Dr. Peng Zhou (周鹏), aged 50, is our founder, chairman and chief executive officer. He was appointed as a Director in October 2009 and re-designated as an executive Director on June 15, 2023. Dr. Zhou is primarily responsible for the overall management, business, strategic development, operation and major decision-making of our Group.

Other than serving as an executive Director, Dr. Zhou has been assuming or assumed the following positions of our Group:

- director of Octillion US, since November 2009;
- director of Octillion India, since December 2017;
- director of Octillion Hefei, since April 2010;
- director of Octillion Miyuan, since October 2016;
- director of Octillion Energy, since August 2018;
- director of Octillion JV, since February 2017; and
- director of Octillion HK, from June 2016 to July 2018.

Dr. Zhou has over 17 years of experience in the power battery industry. Prior to joining our Group, Dr. Zhou had the following working experience:

Name of Organization	Principal business activities	Last position	Period of service
Intel Corporation	Hardware developer; a US company listed on NASDAQ (stock code: INTC)	Hardware engineer	April 2002 – October 2002
Cooligy, Inc.	Developer and manufacture of active cooling technology for microprocessors and other heat-generating components	Staff engineer	October 2002 – December 2006

DIRECTORS AND SENIOR MANAGEMENT

Name of Organization	Principal business activities	Last position	Period of service
Tesla, Inc. (formerly known as Tesla Motors, Inc.)	Automotive developer and manufacturer; a US company listed on NASDAQ (stock code: TSLA)	Principal thermal engineer	January 2007 – November 2008

Dr. Zhou graduated with a bachelor's degree in solid mechanics and master's degree in engineering from the University of Science and Technology of China in July 1995 and July 1997, respectively. Dr. Zhou further obtained a PhD in mechanical engineering and electrical engineering (minor) from Stanford University in the U.S., in January 2002.

Dr. Zhou was a director of the following dissolved companies which were solvent immediately prior to their dissolution: (i) SinoEV Changzhou (incorporated in the PRC), which was principally engaged in development and manufacturing of electric vehicle battery systems and was dissolved on August 21, 2021; and (ii) Octillion Australia (incorporated in Australia), which was principally engaged in development and provision of energy storage solutions and was dissolved on November 6, 2019.

Mr. Yang Wang (王揚), aged 58, is our co-president. He was appointed as an executive Director on June 15, 2023. He is primarily responsible for the business operation of our Group in the PRC.

Mr. Wang joined our Group as the vice-general manager of our Company in February 2010.

Other than serving as an executive Director, Mr. Wang has been assuming the following positions of our Group:

- general manager of Octillion Hefei, since October 2020;
- general manager of Octillion Miyuan, since October 2020;
- general manager of Octillion Energy, since October 2020;
- director of Octillion JV, since February 2017; and
- co-president of our Group, since April 2017.

Prior to joining our Group, Mr. Wang worked at Asyst Technologies, Inc. and Novariant Inc..

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang graduated with a bachelor’s degree in electrical engineering from Tsinghua University in China, in July 1988 and a master’s degree in electronic engineering from Case Western Reserve University in the U.S. in May 1994. He also obtained an executive master’s degree in business administration from Tsinghua University in July 2019.

Mr. Wang was a general manager of SinoEV Changzhou (incorporated in the PRC), which was principally engaged in development and manufacturing of electric vehicle battery systems and was dissolved on August 21, 2021. It was solvent immediately prior to its dissolution.

Non-executive Directors

Ms. Tina Lin-chi Ju (汝林琪), aged 59, was appointed as a Director in August 2012 and re-designated as a non-executive Director on June 15, 2023. She participates in decision-making in respect of major matters such as strategy.

Ms. Ju has been a director of Power Sino Development Limited since June 2017.

Ms. Ju has many years of experience in venture capital, investment banking and operations. She has been a director and founder at TDF Management II, LLC since June 2005 and a director and founder at KPCB China Associates, Ltd. since April 2007.

In addition, Ms. Ju currently holds directorships in the following listed companies:

Name of company	Principal business activities	Place of listing and stock code	Position and responsibility	Period of Service
Yiren Digital Ltd.	Personal financial services	New York Stock Exchange (stock code: YRD)	Director; primarily responsible for major decision-making and strategic development of the company	January 2015 – present
Jones Lang Lasalle Incorporated	Real estate services	New York Stock Exchange (stock code: JLL)	Director; primarily responsible for major decision-making and strategic development of the company	May 2021 – present

DIRECTORS AND SENIOR MANAGEMENT

Ms. Ju graduated with a bachelor’s degree in industrial engineering and operations research from the University of California at Berkeley in the U.S., in May 1987, and obtained a master’s degree in business administration from Harvard University in the U.S., in June 1992. Ms. Ju was also named among China’s Best Venture Capitalists by Forbes China every year from 2006 to 2016.

Mr. Alfred Tsai Chu (朱家駿), aged 48, was appointed as a non-executive Director on June 15, 2023. He participates in decision-making in respect of major matters such as strategy.

Mr. Chu has more than a decade of experience in the venture capital and finance industry, Mr. Chu brings a wealth of expertise to his role. He has served as the founding partner of Starlite Investment Group since 2009.

In June 2020, Mr. Chu has been appointed as an independent non-executive director of Vobile Group Limited, a company listed on the Hong Kong Stock Exchange (stock code: 3738).

Mr. Chu obtained a Master of Business Administration degree at the Wharton School of the University of Pennsylvania in May 2006. He also earned a Bachelor of Science degree in the Faculty of the School of Business Administration from the University of California, Berkeley, where he graduated magna cum laude in May 1996.

Prof. Dr. Peter Jochem Heizmann, aged 71, was appointed as a non-executive Director on June 15, 2023. He participates in decision-making in respect of major matters such as strategy.

Prof. Dr. Heizmann joined our Group as an advisory board member on June 21, 2019.

Prior to joining our Group, Prof. Dr. Heizmann had the following working experience:

Name of organization	Principal business activities	Last position and responsibility	Period of service
Audi AG	Automotive manufacturer; a German company listed on NASDAQ (stock code: AUDVF)	Member of the board of management; primarily responsible for the production of the company	January 2001 – January 2007

DIRECTORS AND SENIOR MANAGEMENT

Name of organization	Principal business activities	Last position and responsibility	Period of service
Volkswagen AG	Automotive manufacturer; a German company listed on the Frankfurt Stock Exchange (stock code: VOW3)	Member of the board of management; primarily responsible for various production lines, including the Volkswagen Group Production (February 2007 – September 2010), Volkswagen Group Commercial Vehicles (October 2010 – August 2012) and Volkswagen Group China (September 2012 – January 2019)	February 2007 – January 2019

Prof. Dr. Heizmann obtained a degree in industrial engineering from University Karlsruhe in Germany, in December 1975, and was awarded a doctorate (Dr. rer. pol.) from University Karlsruhe in October 1980. In March 2004, Prof. Dr. Heizmann was made a guest professor of Tongji University in China. In December 2006, he was named an honorary professor of the mechanical engineering faculty at Chemnitz University of Technology in Germany. In October 2010, he received an honorary doctorate with the academic title of Dr.-Ing. E. h. from Chemnitz University of Technology.

Independent Non-executive Directors

Dr. Chengwei Xiao (肖成偉), aged 53, was appointed as a Director in March 2018 and re-designated as an independent non-executive Director on June 15, 2023. Dr. Xiao is primarily responsible for providing independent advice on the operation and management of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Xiao has over 25 years of experience in the power battery industry. Dr. Xiao had the following working experience:

Name of Organization	Principal business activities	Last position and responsibility	Period of service
The 18th Research Institute of China Electronics Technology Group Corporation	Study of physics and chemical power, comprehensive research and development and production technology development	Researcher	July 1994 – present
BTR New Material Inc.* (貝特瑞新材料集團股份有限公司)	Manufacturer of cathode and anode materials for lithium-ion battery; a PRC company listed on the Beijing Stock Exchange (stock code: 835185)	Independent director; primarily responsible for the strategic development of the company	May 2013 – May 2019
Shanghai Putailai New Energy Technology Co., Ltd.	Developer of new energy lithium-ion battery materials; a PRC company listed on the Shanghai Stock Exchange (stock code: 603659)	Independent director; primarily responsible for the strategic development of the company	November 2015 – December 2015

DIRECTORS AND SENIOR MANAGEMENT

In addition, Dr. Xiao held or currently holds directorships in the following listed companies:

Name of company	Principal business activities	Place of listing and stock code	Position and responsibility	Period of Service
Zhongtong Bus Holding Co., Ltd.	Bus manufacturer	Shenzhen Stock Exchange (stock code: 000957)	Independent director; primarily responsible for the strategic development of the company	March 2016 – November 2023
Anhui Estone Materials Technology Co., Ltd.	Battery manufacturer	Shanghai Stock Exchange (stock code: 688733)	Independent director; primarily responsible for the strategic development of the company	September 2019 – April 2024
Guo Chuang Software Co., Ltd. (科大國創軟件股份有限公司)	Software research and development	Shenzhen Stock Exchange (stock code: 300520)	Independent director; primarily responsible for the strategic development of the company	April 2022 – present

Dr. Xiao obtained a bachelor's degree in electrochemistry from Harbin Institute of Technology in China, in July 1994, and a master's degree in chemical engineering from Tianjin University in China, in March 2008. He further obtained a PhD in inorganic chemistry from Nankai University in China, in December 2014. Dr. Xiao received his qualification as a research senior engineer for power battery related technologies in December 2011, and is a research fellow in The 18th Research Institute of China Electronics Technology Group Corporation. As an expert in power battery, Dr. Xiao has been involved in numerous research projects and led the drafting of, such as Electric vehicles traction battery safety requirements (電動汽車用動力蓄電池安全要求) and Specification and dimension of traction battery for electric vehicles (電動汽車用動力蓄電池產品規格尺寸) and national/sectoral standards on cycle life, safety, specification and dimension of power battery.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Rui Shirley Xue (薛睿), aged 39, was appointed as an independent non-executive Director on [●]. Ms. Xue is primarily responsible for providing independent advice on the operation and management of our Group.

Ms. Xue has many years of experience in in both financial management and corporate strategies. Ms. Xue has been a managing director at Aurora Capital Partners since February 2022. Prior to that, Ms. Xue worked as the chief financial officer at Soulgate Hong Kong Limited, an assistant general manager in mergers and acquisitions at Tencent Holdings Limited from August 2017 to November 2020 and at Deutsche Bank AG, Hong Kong Branch until August 2017.

Ms. Xue currently holds directorship in the following listed company:

Name of company	Principal business activities	Place of listing and stock code	Position	Period of Service
iMotion Automotive Technology (Suzhou) Co., Ltd.	Development, manufacture and sale of autonomous driving products and solutions	Hong Kong Stock Exchange (stock code: 1274)	Independent non-executive director	December 2023 – present

Ms. Xue obtained a bachelor’s degree from the University of Pennsylvania in the U.S. in May 2006. She further obtained a master’s degree in business administration from China Europe International Business School in the PRC in June 2022. Ms. Xue is a fellow member of CPA Australia.

Mr. Yang Dong (董揚), aged 67, was appointed as an independent non-executive Director on [●]. Mr. Dong is primarily responsible for providing independent advice on the operation and management of our Group.

Mr. Dong has over 23 years of experience in the automobile industry. Prior to joining our Group, Mr. Dong had the following working experience:

Name of Organization	Principal business activities	Last position	Period of service
Beijing Automotive Group Co., Ltd.* (北京汽車集團有限公司)	Automobile and machine manufacturer	Chief executive officer	April 2000 – August 2007

DIRECTORS AND SENIOR MANAGEMENT

Name of Organization	Principal business activities	Last position	Period of service
China Association of Automobile Manufacturers (中國汽車工業協會)	Chinese national social organization engaged in the automobile industry	Executive vice president	September 2007 – March 2016
Chang’an Automobile Co., Ltd.	Automobile manufacturer; PRC state-owned company listed on the Shenzhen Stock Exchange (stock code: 000625)	Independent non-executive director	May 2009 – March 2016
Beijing Changjiu Logistics Co., Ltd.	Domestic and international logistic service provider; a PRC company listed on the Shanghai Stock Exchange (stock code: 603569)	Independent non-executive director	November 2012 – September 2019
Beijing Virtue Capital Investment Management Center (Limited Partnership)* (北京德載厚投資管理中心(有限合夥))	Investment management services	Managing partner (assigned representative), chairman of board and chairman of investment committee	April 2020 – present

Mr. Dong currently holds directorship in the following listed company:

Name of company	Principal business activities	Place of listing and stock code	Position	Period of Service
Brilliance China Automotive Holdings Limited* (華晨中國汽車控股有限公司)	Automobile manufacturer	Hong Kong Stock Exchange (stock code: 1114)	Independent non-executive director	May 2021 – present

Mr. Dong obtained a bachelor’s degree from the Department of Automotive Engineering of Tsinghua University in the PRC in July 1982 and a master’s degree in Automotive Engineering from Tsinghua University in the PRC in November 1984.

DIRECTORS AND SENIOR MANAGEMENT

Other Disclosure Pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed in “Substantial Shareholders” and “Statutory and General Information — C. Further Information about Directors and Substantial Shareholders — 1. Disclosure of Interests” in Appendix IV to this document, each of our Directors confirms with respect to himself or herself that he or she (1) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (2) had no other relationship with any Directors, senior management or substantial shareholders of our Company as of the Latest Practicable Date; (3) save as disclosed in the section headed “Directors and Senior Management,” did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (4) there are no other matters concerning our Directors’ appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information in respect of the senior management of the Group.

Name	Position	Age	Date of appointment as senior management	Time of joining the Group	Role and responsibility	Relationship with other Directors and senior management
Dr. Peng Zhou (周鵬)	Chief Executive Officer	50	November 6, 2009	October 2009	Primarily responsible for the overall management, business, strategic development, operation and major decision-making of our Group	Nil
Mr. Yang Wang (王揚)	Co-president	58	April 19, 2017	February 2010	Primarily responsible for the business operation of our Group in the PRC	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Position	Age	Date of appointment as senior management	Time of joining the Group	Role and responsibility	Relationship with other Directors and senior management
Mr. Paul Maynard Beach III	Co-president	56	August 19, 2013	August 2013	Primarily responsible for the business operations of the Group outside of PRC	Nil
Mr. Ieng Kit Leung (梁英杰)	Chief Financial Officer	57	March 15, 2016	March 2011	Primarily responsible for overseeing the financial and taxation matters and investment and financing matters of our Group	Nil
Dr. Li Lao (勞力)	Chief Technology Officer	40	March 9, 2018	June 2011	Primarily responsible for the Group’s technological development and overseeing the security technology of the Group’s product	Nil

For biographical details of Dr. Zhou and Mr. Wang, please see “Executive Directors” in this section.

Mr. Paul Maynard Beach III, aged 56, has been the Company’s co-president since March 2018. He is primarily responsible for the business operations of the Group outside of the PRC.

Other than serving as the Company’s co-president, Mr. Beach has been a director of Octillion India since December 2017.

Mr. Beach has been a consultant at Endera Corporation since May 2021. Prior to that, he was the president at Quallion LLC from March 2001 to December 2012 and worked at Taylor & Co. from September 1995 to July 1999.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Beach graduated with a bachelor’s degree in philosophy from Colby College in the U.S., in May 1989. Mr. Beach obtained a Juris Doctor from the University of Maine in the U.S., in May 1994, and further obtained a master’s degree in law from the University of California at Berkeley in the U.S., in December 1995. Mr. Beach was admitted to the State Bar of California in August 1995.

Mr. Ieng Kit Leung (梁英杰), aged 57, has been the Company’s chief financial officer since March 2016. He is primarily responsible for overseeing the financial and taxation matters and investment and financing matters of our Group.

Mr. Leung joined our Group as a Director in March 2011 and resigned from his directorship in June 2023 as part of the Board restructuring for Listing purposes.

Other than serving as the Company’s chief financial officer, Mr. Leung has been assuming the following positions of our Group:

- director of Octillion JV, since February 2017; and
- director of Octillion HK, since July 2018.

Mr. Leung has over 20 years of experience in the private equity and venture investment industry, and over five years of experience in the investment and commercial banking industry. Prior to joining our Group, Mr. Leung had the following working experience:

Name of organization	Principal business activities	Last position and responsibility	Period of service
Baring Brothers Limited	Banking services	Corporate finance executive	September 1993 – December 1995
Headland Capital Partners Limited (formerly HSBC Private Equity (Asia) Limited)	Venture capital and private equity firm, which belonged to the HSBC Group (listed on the Hong Kong Stock Exchange (stock code: 0005)) until 2010	Director	April 1996 – December 2010
Kleiner Perkins Caufield & Buyers China	Venture capital services	Partner; primarily responsible for the company’s venture investment in China	January 2011 – December 2015

DIRECTORS AND SENIOR MANAGEMENT

Mr. Leung graduated with a bachelor’s degree in social sciences from the University of Hong Kong in November 1988, a master’s degree in business administration from the London Business School in the UK, in August 1993, and a master’s degree in biopharmaceuticals from the University of New South Wales in Australia, in May 2005. Mr. Leung has been a member of the Association of Chartered Certified Accountants in the UK since December 1999 and has been a member of the Hong Kong Institute of Certified Public Accountants since July 2005.

Dr. Li Lao (勞力), aged 40, has been the Company’s chief technology officer since March 2018. He is primarily responsible for the Group’s technological development and overseeing the security technology of the Group’s products.

Dr. Lao joined our Group as the Company’s chief system engineer in June 2011. Dr. Lao had the following working experience:

Name of organization	Principal business activities	Last position and responsibility	Period of service
Huizhou E-POWER Electronics CO., LTD.	Supplier of battery management system and battery system assembly	Research and development manager; primarily responsible for the company’s product development	June 2008 – June 2011
Anhui University	University in China	Part-time tutor at the school of chemical engineering of the university	July 2022 – present

Dr. Lao graduated with a bachelor’s degree and master’s degree in electric engineering from Beijing Jiaotong University in China, in July 2005 and January 2008, respectively. Dr. Lao obtained a PhD in solid mechanics from the University of Science and Technology of China in December 2020.

COMPANY SECRETARY

Mr. Ieng Kit Leung, aged 57, was appointed as our company secretary on November 23, 2023. For details of his background, please refer to “— Senior Management” in this section.

BOARD COMMITTEES

We [have established] the following committees in our Board: an audit committee, a remuneration committee, a nomination committee and an Environmental, Social and Governance (“ESG”) committee. The committees operate in accordance with terms of reference established by our Board.

DIRECTORS AND SENIOR MANAGEMENT

Audit Committee

The Company [has established] an audit committee (with effect from the [REDACTED]) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the “**Corporate Governance Code**”). The audit committee consists of Ms. Rui Shirley Xue, Dr. Chengwei Xiao and Mr. Alfred Tsai Chu, with Ms. Rui Shirley Xue serving as the chairlady. Ms. Rui Shirley Xue holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

Remuneration Committee

The Company [has established] a remuneration committee (with effect from the [REDACTED]) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the Corporate Governance Code. The remuneration committee consists of Mr. Yang Dong, Dr. Chengwei Xiao and Prof. Dr. Peter Jochem Heizmann, with Mr. Yang Dong serving as the chairman. The primary duties of the remuneration committee include, but are not limited to, the following: (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time; and (iv) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

Nomination Committee

The Company [has established] a nomination committee (with effect from the [REDACTED]) with written terms of reference in compliance with Rule 3.27A and paragraph B.3 of the Corporate Governance Code. The nomination committee consists of Dr. Peng Zhou, Dr. Chengwei Xiao and Mr. Yang Dong, with Dr. Peng Zhou serving as the chairman. The primary functions of the nomination committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

ESG Committee

The Company has established an ESG committee in February 2024. The ESG committee consists of Mr. Yang Wang, Mr. Alfred Tsai Chu and Prof. Dr. Peter Jochem Heizmann. The primary functions of the ESG committee include, without limitation, formulating our Group’s vision, objective, management direction and strategies for addressing ESG issues, reviewing

DIRECTORS AND SENIOR MANAGEMENT

the performance of our ESG initiatives and the status of achieving targets, identifying and assessing the relevant risks and opportunities of our Group in respect of ESG areas, reviewing, evaluating, adopting and updating our Group’s ESG related policies to ensure compliance with legal and regulatory requirements and reporting and making recommendations to our Board. For details of our ESG efforts and achievements, see “Business — Environmental, Social and Governance Matters” in this document.

Board Diversity Policy

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out our objectives and approach to achieve and maintain diversity of the Board. Pursuant to this policy, we seek to achieve board diversity through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board.

The Board comprises eight members, including two executive Directors, three non-executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of gender, knowledge, skills, perspectives and experience, including engineering, business management, finance, venture capital, investment and banking. They obtained professional and academic qualifications including engineering, organic chemistry, business administration, law and accounting. Furthermore, our Directors are of a wide range of ages, from 39 years old to 71 years old.

We recognize the particular importance of gender diversity. Our Board currently comprises two female Directors and six male Directors. After [REDACTED], we target to maintain such gender ratio at our Board going forward. In particular, we will actively identify female individuals suitably qualified to become our Board members. With a view to developing a pipeline of potential successors to our Board that can maintain our gender diversity, our Group will (i) make appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of our Group by recruiting staff of different gender; and (iii) consider the possibility of nominating female management members who have the necessary skills and experience to our Board; and (iv) engage more resources in training female staff who we consider having the suitable experience, skills and knowledge for our business to equip themselves with the attributes and competencies required to serve as members of our Board so that we will have a pipeline of female senior management and potential successors to our Board in a few years’ time.

Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of the Board satisfies our board diversity policy, and the Board and the nomination committee of our Company will assess the Board composition regularly.

DIRECTORS AND SENIOR MANAGEMENT

MANAGEMENT PRESENCE

We have applied for, and the Stock Exchange [has] granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules in relation to the requirement of management presence in Hong Kong. For details of the waiver, see “Waivers from Strict Compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Management Presence in Hong Kong” in this document.

CODE PROVISION C.2.1 OF THE CORPORATE GOVERNANCE CODE

Pursuant to Code Provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. Zhou is our founder, executive Director, chairman and chief executive officer. With extensive experience in the power battery industry, Dr. Zhou is responsible for the strategic development, overall operation and management and major decision-making of our Group and is instrumental to our growth and business expansion since our establishment in 2009. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and visionary individuals. Our Board currently comprises two executive Directors (including Dr. Zhou), three non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

In order to maintain good corporate governance and to fully comply with Code Provision C.2.1 of the Corporate Governance Code, our Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately and to make appropriate changes if considered necessary.

Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

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

DIRECTORS AND SENIOR MANAGEMENT

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in June 2023, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

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

COMPENSATION OF DIRECTORS AND MANAGEMENT

Our Directors receive compensation in the form of fees, salaries, bonuses, other allowances and benefits in kind, including the Company's contribution to the pension scheme on their behalf. We determine the salaries of our Directors based on each Director's responsibilities, qualification, position and seniority.

The aggregate amount of remuneration which was paid to our Directors for the three years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024 were approximately RMB9.4 million, RMB5.0 million, RMB36.2 million, RMB22.8 million, respectively.

It is estimated that the total remuneration and benefits in kind equivalent to approximately RMB58.8 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2024 under arrangements in force at the date of this document.

The aggregate amount of remuneration which were paid by the Group to our five highest paid individuals (including both employees and Directors) for the three years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024 were approximately RMB16.5 million, RMB11.2 million, RMB44.6 million and RMB24.5 million, respectively.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, the Group. No compensation was paid to, or receivable by, our Directors, past Directors or the five highest paid individuals for the Track Record Period for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. None of our Directors has waived or agreed to waive any emoluments during the same period.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please see Note 10 of the Accountant's Report set out in Appendix I to this document.

DIRECTORS AND SENIOR MANAGEMENT

PRE-[REDACTED] SHARE INCENTIVE SCHEME

We have adopted the Pre-[REDACTED] Share Incentive Scheme on November 6, 2009, the purpose of which is to incentivize and reward eligible participants by reason of their contribution or potential contribution to the Company and/or any of our subsidiaries. Please see the section headed “Statutory and General Information — D. Share Incentive Schemes — 1. Pre-[REDACTED] Share Incentive Scheme” in Appendix IV to this document for a description of our Pre-[REDACTED] Share Incentive Scheme.

POST-[REDACTED] SHARE OPTION SCHEME

We have conditionally adopted the Post-[REDACTED] Share Option Scheme on [●]. For further details, see the section headed “Statutory and General Information — D. Share Incentive Schemes — 2. Post-[REDACTED] Share Option Scheme” in Appendix IV to this document.

COMPLIANCE ADVISOR

We have appointed Anglo Chinese Corporate Finance, Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us on the following circumstances:

- before the publication of any regulatory announcement, circular or financial reports;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 and 14A of the Listing Rules, is contemplated including share issues and share repurchases;
- where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate, or other information in this document; and
- where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the [REDACTED] and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] (without taking into account any Shares which may be issued under the [REDACTED] and without taking into account any Shares to be issued upon the exercise of options which may be granted under the Share Incentive Schemes), the following persons will have or be deemed or taken to have an interest and/or a short position in our Shares or the underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interested in 10% or more of the number of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

(A) INTEREST IN SHARES OF OUR COMPANY

Name of shareholder	Nature of Interest	Number of Shares held as of the Latest Practicable Date	Approximate percentage of Shares held as of the Latest Practicable Date	Shares held immediately following the completion of the Capitalization Issue and the [REDACTED]	Approximate percentage of shareholding upon completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon the exercise of options which may be granted under the Share Incentive Schemes)
Power Sino Development Limited ⁽¹⁾	Beneficial interest	10,643,697	27.52%	[REDACTED]	[REDACTED]
KPCB China Fund, L.P. ⁽¹⁾	Interest in controlled corporation	10,643,697	27.52%	[REDACTED]	[REDACTED]
KPCB China Associates, Ltd. ⁽¹⁾	Interest in controlled corporation	10,643,697	27.52%	[REDACTED]	[REDACTED]
Mahayana Energy Global Limited ⁽²⁾	Beneficial Interest	5,067,903	13.10%	[REDACTED]	[REDACTED]

SUBSTANTIAL SHAREHOLDERS

Name of shareholder	Nature of Interest	Number of Shares held as of the Latest Practicable Date	Approximate percentage of Shares held as of the Latest Practicable Date	Shares held immediately following the completion of the Capitalization Issue and the [REDACTED]	Approximate percentage of shareholding upon completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon the exercise of options which may be granted under the Share Incentive Schemes)
Mr. Gaofeng Pan ⁽²⁾	Interest in controlled corporation	5,067,903	13.10%	[REDACTED]	[REDACTED]
Dirgha Peak Holding Limited ⁽³⁾	Beneficial interest	3,000,000	7.76%	[REDACTED]	[REDACTED]
	Interest in controlled corporation	558,966	1.45%	[REDACTED]	[REDACTED]
Dr. Zhou ⁽³⁾	Interest in controlled corporation	3,694,357	9.55%	[REDACTED]	[REDACTED]
	Beneficial Interest	1,824,263	4.72%	[REDACTED]	[REDACTED]
TDRH Capital Co. Limited ⁽⁴⁾	Beneficial Interest	3,037,003	7.85%	[REDACTED]	[REDACTED]
Mr. Enqiang Wang ⁽⁴⁾	Interest in controlled corporation	3,037,003	7.85%	[REDACTED]	[REDACTED]
SBCVC Fund V Pte Ltd ⁽⁵⁾⁽⁶⁾	Beneficial interest	1,688,803	4.37%	[REDACTED]	[REDACTED]
	Interest jointly held with another person	1,262,626	3.26%	[REDACTED]	[REDACTED]
SBCVC Management V, L.P. ⁽⁵⁾⁽⁶⁾	Interest in controlled corporation	1,688,803	4.37%	[REDACTED]	[REDACTED]

SUBSTANTIAL SHAREHOLDERS

Name of shareholder	Nature of Interest	Number of Shares held as of the Latest Practicable Date	Approximate percentage of Shares held as of the Latest Practicable Date	Shares held immediately following the completion of the Capitalization Issue and the [REDACTED]	Approximate percentage of shareholding upon completion of the Capitalization Issue and the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares to be issued upon the exercise of options which may be granted under the Share Incentive Schemes)
SBCVC Limited ⁽⁵⁾⁽⁶⁾	Interest in controlled corporation	1,688,803	4.37%	[REDACTED]	[REDACTED]
Star Pioneer Investment Holdings Limited ⁽⁵⁾⁽⁶⁾	Interest in controlled corporation	1,688,803	4.37%	[REDACTED]	[REDACTED]
Mr. Ye Song Lin ⁽⁵⁾	Interest in controlled corporation	1,688,803	4.37%	[REDACTED]	[REDACTED]
Southern Cross REVC Trusco Pty Limited ⁽⁵⁾⁽⁷⁾	Beneficial interest	1,262,626	3.26%	[REDACTED]	[REDACTED]
	Interest jointly held with another person	1,262,626	3.26%	[REDACTED]	[REDACTED]
Southern Cross Ventures Partners Pty ⁽⁵⁾⁽⁷⁾	Interest in controlled corporation	1,262,626	3.26%	[REDACTED]	[REDACTED]
REVC Fund Commonwealth Participation Trust ⁽⁵⁾⁽⁷⁾	Beneficiary of a trust	1,262,626	3.26%	[REDACTED]	[REDACTED]

Note:

- Power Sino Development Limited is wholly owned by KPCB China Fund, L.P. and KPCB China Founders Fund, L.P. which are exempted limited partnerships established in the Cayman Islands and whose general partner is KPCB China Associates, Ltd. KPCB China Associates, Ltd. has sole voting and investment power over Power Sino Development Limited. Accordingly, each of KPCB China Associates, Ltd., and KPCB China Fund, L.P. is deemed to be interested in all the Shares held by Power Sino Development Limited under the SFO.

SUBSTANTIAL SHAREHOLDERS

2. Mahayana Energy Global Limited is a controlled corporation of Mr. Gaofeng Pan. Accordingly, Mr. Gaofeng Pan is deemed to be interested in all the Shares held by Mahayana Energy Global Limited under the SFO.
3. Agama Pole Holding Limited is directly wholly owned by Dirgha Peak Holding Limited, which is in turn wholly owned by Dr. Zhou. Ananda Energy Holdings Limited is wholly owned by Dr. Zhou. Accordingly, Dr. Zhou is deemed to be interested in all the Shares held by these companies under the SFO.
4. TDRH Capital Co. Limited is wholly owned by Mr. Enqiang Wang. Accordingly, Mr. Enqiang Wang is deemed to be interested in all the Shares held by TDRH Capital Co. Limited under the SFO.
5. As of the Latest Practicable Date, SBCVC Pte Ltd and Southern Cross REVC Trusco Pty Limited had a co-investment arrangement in respect of investment in our Company. For details, please refer to the section headed “History, Reorganization and Corporate Structure — Pre-[REDACTED] Investments — Background of the Pre-[REDACTED] Investors” in this document. SBCVC Fund V L.P. is a fund under the management of SBCVC Pte Ltd. Accordingly, each of SBCVC Fund V Pte Ltd and Southern Cross REVC Trusco Pty Limited is deemed to be interested in all the Shares held by each of SBCVC Fund V Pte Ltd and Southern Cross REVC Trusco Pty Limited under section 317 of the SFO.
6. SBCVC Fund V Pte Ltd is wholly owned by SBCVC Fund V, L.P., an exempted limited partnership established in the Cayman Islands. SBCVC Management V, L.P. is the general partner of SBCVC Fund V, L.P. and in turn SBCVC Limited is the general partner of SBCVC Management V, L.P. SBCVC Limited is owned as to 90.10% by Star Pioneer Investment Holdings Limited which is in turn wholly owned by Mr. Ye Song Lin. Accordingly, each of SBCVC Fund V, L.P., SBCVC Management V, L.P., SBCVC Limited, Star Pioneer Investment Holdings Limited and Mr. Ye Song Lin is deemed to be interested in all the Shares held or controlled by SBCVC Fund V Pte Ltd under the SFO.
7. Southern Cross REVC Trusco Pty Ltd is wholly owned by Southern Cross Venture Partners Pty. The shares of Southern Cross Venture Partners Pty. are held on trust for REVC Fund Commonwealth Participation Trust and the sole beneficiary of the REVC Fund Commonwealth Participation Trust is the Australian government. Accordingly, each of Southern Cross Venture Partners Pty, REVC Fund Commonwealth Participation Trust and the Australian government is deemed to be interested in all the Shares held or controlled by Southern Cross REVC Trusco Pty Ltd under the SFO.

Save as disclosed above and in the section headed “History, Reorganization and Corporate Structure,” there are no other relationships among the substantial shareholders.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] (without taking into account any Shares which may be issued under the [REDACTED] and without taking into account any Shares to be issued upon the exercise of options which may be granted under the Share Incentive Schemes), have an interest or a short position in Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of SFO or will be, directly or indirectly, interested in 10% or more of the issued voting Shares of our Company.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid immediately prior to and immediately following the completion of the Capitalization Issue and the [REDACTED]:

Authorized share capital	Aggregate par value (US\$)
<u>[2,000,000,000]</u>	<u>[200,000]</u>
Ordinary shares of par value of US\$0.0001	
Issued and to be issued, fully paid or credited as fully paid⁽¹⁾	Aggregate par value (US\$)
7,926,812	792.6812
26,346,293	2,634.6293
4,399,618	439.9618
348,054,507	34,805.4507
[REDACTED]	[REDACTED]
<u>[REDACTED]</u>	<u>[REDACTED]</u>
<u>[REDACTED]</u>	<u>[REDACTED]</u>
Total	Total

Note:

- (1) The senior ordinary shares and the series F preference shares will be converted into ordinary shares on a one-to-one basis by way of redesignation on the [REDACTED].

SHARE CAPITAL

ASSUMPTION

The above table assumes that the [REDACTED] becomes unconditional and the Shares are issued pursuant to the [REDACTED]. The above table does not take into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED], or the exercise of options which may be granted under the Share Incentive Schemes or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The [REDACTED] are ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set forth in the above table, and will qualify and rank in full for all dividends or other distributions declared, made or paid after the date of this document.

SHARE INCENTIVE SCHEMES

We have conditionally adopted the Share Incentive Schemes. The principal terms of the Pre-[REDACTED] Share Incentive Scheme and the Post-[REDACTED] Share Option Scheme are summarized in the paragraph headed “Statutory and General Information — D. Share Incentive Schemes” in Appendix IV to this document.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options, and/or to sell or transfer treasury shares which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

- (a) 20% of the number of the issued Shares (excluding treasury shares) immediately following completion of the [REDACTED]; and
- (b) the number of the Shares repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders or upon the exercise of the [REDACTED], or the exercise of options which may be granted under the Post-[REDACTED] Share Option Scheme.

SHARE CAPITAL

This mandate to issue Shares will remain in effect until:

- (i) at the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.

For further details of this general mandate, please see the paragraph headed “Statutory and General Information — A. Further Information about Our Group — 4. Resolutions of the Shareholders Passed on [●]” in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with an aggregate number of the Shares of not more than 10% of the number of issued Shares (excluding treasury shares) immediately following the [REDACTED] (excluding any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED], or the exercise of options which may be granted under the Share Incentive Schemes).

This mandate relates to repurchases made on the Stock Exchange, or on any other stock exchange which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Statutory and General Information — A. Further Information about Our Group — 5. Repurchase of our Shares” in Appendix IV to this document.

This general mandate to repurchase Shares will remain in effect until:

- (a) at the conclusion of our next annual general meeting; or
- (b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting, whichever is the earliest.

For further details of this general mandate, please see the paragraph headed “Statutory and General Information — A. Further Information about Our Group — 4. Resolutions of the Shareholders Passed on [●]” in Appendix IV to this document.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Upon [REDACTED], our Company shall have only one class of shares, namely ordinary shares, each of which carries the same rights as the other shares.

As a matter of the Cayman Companies Act, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles. For further details, please see the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this document.

FINANCIAL INFORMATION

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountant’s Report set forth in Appendix I to this document. The financial information included in the Accountant’s Report has been prepared in accordance with IFRSs. The following discussion and analysis and other parts of this document contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed “Risk Factors” in this document.

OVERVIEW

We are a leading passenger EV battery system developer in China, with operations in India and the United States. We primarily design, manufacture and sell tailor-made battery systems for EVs and, to a lesser extent, energy storage solutions and BMS. Our EV battery systems are customized for diverse applications across new energy passengers, commercial and other vehicles, including battery electric vehicles, PHEVs and HEVs. Our EV battery systems are cell agnostic and customized with various battery cells compatible with customers’ specifications, including LFP and high specific energy density cells, and of different form factors, including cylindrical and prismatic battery cells.

Our revenue increased from RMB2,566.7 million in 2021 to RMB5,574.4 million in 2022 and decreased from RMB5,574.4 million in 2022 to RMB3,176.0 million in 2023. Our revenue increased from RMB505.3 million for the four months ended April 30, 2023 to RMB949.4 million for the four months ended April 30, 2024. We recorded a net loss of RMB65.9 million in 2021, net profit of RMB108.0 million and RMB59.2 million in 2022 and 2023, respectively, and net losses of RMB29.4 million and RMB27.1 million for the four months ended April 30, 2023 and 2024, respectively.

BASIS OF PRESENTATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on October 30, 2009. We underwent a reorganization in anticipation of the [REDACTED] to, among other things, unwind the VIE arrangements involving certain subsidiaries. Pursuant to the reorganization, our Company became the holding company of the companies now comprising our Group. For further details, see the section headed “History, Reorganization and Corporate Structure.”

FINANCIAL INFORMATION

Our historical financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income or fair value through profit or loss which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires our management team to exercise its judgment in applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 6 to the Accountant’s Report included in Appendix I to this document. Regarding the changes in accounting policy and disclosure, see Note 2 to the Accountant’s Report included in Appendix I to this document.

The historical financial information has been prepared based on the consolidated financial statements of our Group. Inter-company transactions, balances and unrealized gains/losses on transactions between companies within our Group are eliminated on consolidation.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations are principally affected by the following factors:

Growth of End Markets We Serve and Macroeconomic Conditions

We primarily design, manufacture and sell tailor-made battery systems for EVs. Accordingly, our growth, result of operations and financial condition are significantly affected by the market demand for EVs. We were ranked as the fourth largest EV battery system provider for passenger battery electric vehicles, or BEVs, in China by shipment unit in 2023, according to the F&S Report. The EV market in China, which contributed to the majority of our revenue during the Track Record Period, experienced rapid growth in recent years, with sales volume increasing at a CAGR of 49.9% from 1.3 million units in 2018 to 9.5 million units in 2023, according to the F&S Report. Driven by various policies and regulations to encourage the development of EVs in China and the increasing cost parity between EVs and internal combustion engine, or ICE, vehicles, sales volume of EVs in China is expected to reach 24.0 million units by 2028, representing a CAGR of 19.2% from 2023, according to the F&S Report. The installation of EV battery systems also grew along with the increase in sales volume of EVs from 1.3 million units in 2018 to 9.6 million units in 2023, representing a CAGR of 49.8%, and is expected to further grow from 12.1 million units in 2024 at a CAGR of 19.6% to reach 24.7 million units by 2028, according to the F&S Report. The market demand for EVs and growth of our business are also driven by overall macroeconomic conditions in China. Over the last five years, the PRC government has adopted effective policy stimulus and structural reform to prevent potential decline in the national nominal GDP. China’s nominal GDP has grown at a CAGR of 6.1% from RMB99.1 trillion in 2019 to RMB125.3 trillion in 2023, and is expected to grow at a CAGR of 5.9% from 2024 to 2028, according to the F&S

FINANCIAL INFORMATION

report. In line with the growing trend of nominal GDP, China’s per capita nominal GDP increased from RMB70.3 thousand in 2019 to RMB88.8 thousand in 2023 at a CAGR of 6.0%, and is expected to reach RMB119.0 thousand in 2028 at a CAGR of 6.0% over the next five years, according to the F&S report. The macro-economic environment in China is expected to continue driving growth in disposable income and consumption expenditure.

Outside of China, we were ranked as the second largest BEV battery system supplier in India by installed volume in 2023, according to the F&S Report. Driven by favorable government policies, increasing customer demand for EVs and increased investments on EV manufacturing in India, the sales volume of passenger BEV in India grew at a CAGR of 133.8% from approximately 1,100 units in 2018 to approximately 79,200 units in 2023, and is expected to reach 0.8 million units by 2028, representing a CAGR of 42.9% from 2023, according to the F&S Report.

To capture such growth, we have been expanding and will continue to expand our manufacturing capacity. Higher margins are typically associated with the economies of scale from higher utilization of our manufacturing capacity to meet growing customer demand. Our results of operations are affected by the growth of the EV market and our ability to keep pace with market demand.

Effective Maintenance and Expansion of Our Relationships with Downstream and Upstream Players along the EV Value Chain

We have developed strong partnerships with EV OEMs and battery cell manufacturers. Our proven track record of delivering customized EV battery systems have strengthened our partnerships with customers. In particular, we have established a joint venture with our anchor customer, JAC, in 2017, and powered approximately 30% of A0/A00 size passenger BEVs in China in 2023, according to the F&S Report. Our strong strategic relationships with customers create sustainable business opportunities and a stable demand for our products. We also maintain strong relationships with other EV value chain players. In particular, we have established close business relationships with eight of the top 10 PRC battery players by shipment volume in 2023, according to the F&S Report, and strategic relationships with certain top players along the EV value chain, including one of the largest global IC manufacturers and two other PRC IC suppliers in China. For instance, we have historically expanded our business by converting the largest battery cell manufacturer in the world in 2022 into a customer. In particular, they selected us as their supplier of battery systems and technologies for cylindrical battery cells for its designated EV OEM customer since 2021, and further expanded our product offerings to include prismatic battery cells in 2023. These relationships help secure a stable supply of raw materials and components, such as battery cells and ICs, which allow us to manufacture and deliver our products to meet market demand. We intend to further develop new partnerships with different EV value chain players that will lead to the long-term strengthening of our market position and expansion of our presence in specific markets we have identified with substantial growth potential. For example, we have expanded into fast-growing non-passenger BEVs, such as buses and trucks, as well as special purpose vehicles, construction machinery and marine applications, such as sail boats, waste

FINANCIAL INFORMATION

management trucks and cold chain trucks, in India and the United States. Our ability to effectively maintain and expand our partnerships with downstream and upstream players may impact our financial condition and results of operations.

Cost of Raw Materials

Our raw materials consist of battery cells and other non-battery cell materials such as casing, harness and ICs. Cost of raw materials accounted for 92.6%, 93.7%, 90.9% and 90.3% of our total cost of revenues for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively. Costs of raw materials are subject to various factors such as general market conditions, supply chain shortages and the occurrence of natural disasters, many of which are beyond our control. Our profitability has benefited from our ability to pass on the cost of battery cells, which is our major raw material, to customers. We have also adopted certain measures to mitigate the impact of rising raw material costs on us, such as (i) strategic cooperation with suppliers of key raw materials; (ii) negotiate with suppliers for a discount on their products; (iii) seek appropriate alternative raw material suppliers; and (iv) develop alternative raw materials at comparable manufacturing cost without compromising the quality of our products. Any changes in the prices of raw materials may affect our results of operations and profitability. For further details on the sensitivity analysis of our cost of raw materials, see the section headed “Description of Selected Consolidated Statement of Comprehensive Income Line Items — Cost of Revenues” below.

Investment in Engineering, Design and Development

Technology lies at the core of our competitiveness and growth potential. Our EDD capabilities enable us to continuously improve, innovate and introduce customized EV battery systems that meet the demands and specifications of our customers. We have committed significant resources to EDD activities. In 2021, 2022 and 2023 and the four months ended April 30, 2024, we recorded research and development expenses of RMB103.8 million, RMB150.6 million, RMB250.2 million and RMB77.3 million, respectively, representing 4.0%, 2.8%, 8.1% and 7.8% of our total expenses and cost of revenues. As of April 30, 2024, our EDD team consisted of 375 members, representing 31.6% of our employees, who were mainly based in our Hefei headquarter. Our EDD team is led by experts with distinguished competency in their respective fields, including knowledge of EV battery energy density, charging rate, safety, lifetime and cost. Meanwhile, we will continue to recruit and retain talented professionals and engineers to grow our strength in the key technologies. As of the Latest Practicable Date, we possessed more than 870 patents, five domain names and 17 software copyrights. For further details, see the section headed “Business — Intellectual Property.” We expect our strategic focus on EDD will further differentiate our products, which will in turn enhance our competitiveness and therefore impact our business and results of operations.

FINANCIAL INFORMATION

Manufacturing Capacity and Efficiency

Growth in our revenue and market share depends largely on our ability to expand our manufacturing capacity and enhance our manufacturing efficiency to meet growing market demand. As of April 30, 2024, we had five manufacturing facilities in China and two manufacturing facilities in India, with a total floor area of approximately 164,441 square meters. For the years ended December 31, 2021, 2022 and 2023, the utilization rates of our manufacturing facilities in peak seasons were up to 143.8%, 142.0% and 129.1%, respectively. For further details, see the section headed “Business — Manufacturing — Manufacturing Facilities — Manufacturing capacity and utilization rate.” We intend to further expand manufacturing facilities, alleviate the production burden of our existing manufacturing facilities and increase our total annual manufacturing capacity from 0.9 million units as of April 30, 2024 to approximately 1.8 million units by the end of 2026. We intend to expand our existing Hefei facility II, Hefei facility III, Anqing facility, Liuzhou facility, Pune facility I and Pune facility II. Additionally, we intend to establish an additional manufacturing facility in Nevada, the United States. Our future growth will also depend on our ability to maintain efficient operations at our manufacturing facilities. We have in recent years optimized our manufacturing processes and equipment, including the upgrade of production lines in all our manufacturing facilities, development of new manufacturing technologies and the optimization of manufacturing processes and techniques. Our future growth and results of operations will be affected by our investment in and continual maintenance and upgrading of manufacturing facilities and processes.

Impact of the COVID-19 Pandemic

The COVID-19 pandemic had a material adverse impact on the global economy. To ensure a safe working environment, we implemented various precautionary measures and flexibly adjusted work arrangement of our employees. We maintained sufficient number of personnel at our offices and manufacturing facilities to continue our operations to meet customer demand. During the Track Record Period and up to the Latest Practicable Date, we did not experience any manufacturing facility closures and our manufacturing capacity was not materially affected by the COVID-19 pandemic. We also actively communicated with our suppliers and customers to make necessary alternative arrangements to meet product delivery targets. In particular, we strategically procured key raw materials in advance according to our manufacturing plan to ensure we had sufficient inventories to support our manufacturing facilities to fulfill customer orders. As such, we did not encounter any material disruption to our operations, nor has our product delivery been materially affected, despite COVID-19.

However, there is no assurance that our operation or manufacturing activities will not be affected in the future due to the COVID-19 pandemic. See “Risk Factors — Risks Relating to Our Business and Industry — We face risks of health epidemics, other natural disasters and terrorist attacks, which could severely disrupt our business operations.” For further details, see the section headed “Financial Information — Key Factors Affecting Our Results of Operations — Impact of the COVID-19 Pandemic.”

FINANCIAL INFORMATION

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our historical financial information in conformity with IFRS requires us to make judgments, estimates and assumptions that affect the application of our accounting policies and the reported amounts of assets, liabilities, income and expenses on our consolidated financial statements. Our critical accounting policies, including on revenue recognition and other accounting treatments, and the sensitivity of our reported results to changes in judgments, estimates and assumptions are factors to be considered when reviewing our consolidated financial statements. For further information, see Note 2 and Note 6 to the Accountant's Report included in Appendix I to this document.

Revenue Recognition

Income is classified as revenue when it arises from the sales of goods, or the provision of services in the ordinary course of our business.

We recognize revenue when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time. The following is a description of the accounting policy for our principal revenue streams:

- **Sales of EV battery system (with procurement of battery cells).** We procure all raw materials, including the battery cells and non-cell materials. In some circumstances, we are required to procure battery cells from certain suppliers designated by customers. We control the components provided by the suppliers, provide significant design and integration work to transform battery cells and other components into full EV battery systems. Revenue is presented on a gross basis and recognized upon acceptance of the EV battery systems by customers.
- **Sales of EV battery system (without procurement of battery cells).** We also enter into arrangements with customers where they procure battery cells directly from third-party battery cell manufacturers or provide by themselves, while we are primarily responsible for procuring the other non-battery cell materials that comply with the prescribed specifications themselves. Our performance obligation is combining and integrating such third-party customers' battery cells with other non-cell components primarily purchased by us into a full EV battery system. We record revenue based on the amount of the agreed the service fees in the contracts. Revenue is recognized upon acceptance by customers.
- **Others.** We provide EV battery system engineering services to customers and charges for fees. The provision of EV battery system engineering services is the only performance obligation with fixed price in the contract. Revenue is recognized over time using input method (cost-to-cost) as cost incurred depicts our performance toward satisfying our service obligation. For sales of energy storage solution, we do not control the components provided by the suppliers. We combine and integrate the suppliers' components with our own energy storage system. Our contractual obligation is limited to the quality of the energy storage solution we provide. Revenue is recognized upon acceptance by customers.

FINANCIAL INFORMATION

Property, Plant and Equipment

Our property, plant and equipment are stated at historical cost less depreciation. Historical cost includes the expenditure that is directly attributable to the acquisition of the items. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Furniture, fittings and equipment	3-5 years
Machinery and vehicles	5-10 years
Leasehold improvements	Shorter of remaining term of the lease and the estimated useful lives of assets

Management determines the estimated useful lives and related depreciation charges for our property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. We will write down an asset's carrying amount immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Our construction in progress, which represents leasehold improvements and production lines under construction, is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition, and capitalized costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for the intended use. When the assets concerned are available for use, we transfer the costs to property, plant and equipment and depreciated in accordance with our accounting policy.

Management evaluates the impairment risks of property, plant and equipment based on our accounting policies. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. When calculating the value in use, we are required to estimate and evaluate the future cash flow of each assets group and the discount rate to determine the present value.

Inventories

Inventories, mainly consisting of raw materials, work in progress and finished goods, are stated at the lower of cost and net realizable value (“**NRV**”). Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure. We assign costs to individual items of inventory on a first-in-first-out basis. Costs of purchased inventory are determined after deducting rebates and discounts. **NRV** is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. We estimate the recoverability for such work in

FINANCIAL INFORMATION

progress and finished goods based primarily upon the latest invoice prices and current market conditions. If the NRV of an inventory item is determined to be below its carrying value, we will write down the difference between the carrying cost and NRV to cost of sales.

Share-based Payments

For equity-settled share-based payment transactions, we operate a share incentive plan, under which we receive services from our employees, Directors and consultants who have contributed or will contribute to us as consideration for our equity instruments. The fair value of the services received in exchange for the grant of the equity instruments is recognized as an expense in the consolidated statements of comprehensive income with a corresponding increase in equity. In terms of the options, the total amount to be expensed is determined by reference to the fair value of equity instruments granted: (i) including any market performance conditions; (ii) excluding the impact of any service and non-market performance vesting conditions; and (iii) including the impact of any non-vesting conditions. Non-marketing performance and service conditions are included in calculation of the number of options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At each end of the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, we revised our estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. We recognize the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive income, with a corresponding adjustment to equity. When the options are exercised, we issue new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

For share-based payment transactions within our Group, our grant of options over our equity instruments to employees of subsidiaries undertakings in our Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of our Company.

Product Warranties and Customer Service Actions

We provide standard warranties on some of our products. We accrue a warranty reserve for the products sold, which includes our best estimate of the projected costs to repair or replace items under warranty. In addition to the standard product warranties provided, we will perform customer service actions from time to time upon request from customers to address product defects or improve functions, or if our EV OEM customers undertake recalls. We accrue for the cost related to customer service actions at the time that it has committed to such action, and is able to estimate the cost using the estimated costs of repairs and the estimated number of vehicles to be repaired. Provisions of the warranties are measured at the present value of management's best estimates at the end of the reporting period. Costs associated with

FINANCIAL INFORMATION

product warranties and customer service actions are charged to cost of sales in the consolidated statements of comprehensive income. The portion of the reserve expected to be incurred within the next 12 months is included within trade and other payables while the remaining balance is included within other non-current liabilities in the consolidated balance sheets.

Trade Receivables

We recognize trade receivables initially at the amount of consideration that is unconditional. If they contain significant financing components, we recognize them at fair value. We hold the trade receivables with the objective to collect the contractual cash flows and therefore measure them subsequently at amortized cost using the effective interest method.

Trade and Other Payables

We recognize trade and other payables initially at fair value and subsequently measured at amortized cost using the effective interest method.

Fair Value Estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. The levels of the inputs to valuation techniques used to measure fair value are categorized into three levels: (i) quote prices (unadjusted) in active markets for identical assets or liabilities (level 1); (ii) inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and (iii) inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3). Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks associated with the instruments, which are subject to uncertainty and might materially differ from the actual results.

We manage the valuation of level 3 instruments for financial reporting purposes and manage the valuation exercise of the investments on a case by case basis. As least once every year, we would use valuation techniques to determine the fair value of our level 3 instruments. External valuation experts are involved when necessary.

For further details, see Note 5 to the Accountant's Report included in Appendix I to this document.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table sets forth our selected consolidated statements of comprehensive income for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue	2,566,661	100.0	5,574,372	100.0	3,175,970	100.0	505,341	100.0	949,399	100.0
Cost of revenues	(2,333,567)	(90.9)	(5,117,248)	(91.8)	(2,633,894)	(82.9)	(431,301)	(85.3)	(821,433)	(86.5)
Gross profit	233,094	9.1	457,124	8.2	542,076	17.1	74,040	14.7	127,966	13.5
Selling and marketing expenses	(61,544)	(2.4)	(91,284)	(1.6)	(70,852)	(2.2)	(20,805)	(4.1)	(26,494)	(2.8)
Research and development expenses	(103,755)	(4.0)	(150,646)	(2.7)	(250,175)	(7.9)	(54,532)	(10.8)	(77,317)	(8.1)
Administrative expenses	(88,344)	(3.4)	(96,434)	(1.7)	(145,297)	(4.6)	(32,636)	(6.5)	(62,788)	(6.6)
Net impairment reversal/(losses) on financial assets	1,429	0.1	707	0.0	(11,338)	(0.4)	(1,315)	(0.3)	(305)	(0.0)
Other income	7,983	0.3	18,441	0.3	22,273	0.7	6,235	1.2	5,668	0.6
Other gains/(losses), net	1,087	0.0	(16,989)	(0.3)	(17,669)	(0.6)	(3,682)	(0.7)	(6,376)	(0.7)
Operating (loss)/profit	(10,050)	(0.4)	120,919	2.2	69,018	2.2	(32,695)	(6.5)	(39,646)	(4.2)
Changes in the fair value of financial instruments at fair value through profit or loss	(11,403)	(0.4)	470	0.0	2,362	0.1	496	0.1	706	0.1
Finance (costs)/income, net	(43,430)	(1.7)	(10,985)	(0.2)	447	0.1	(1,094)	(0.2)	590	0.1
(Loss)/profit before income tax	(64,883)	(2.5)	110,404	2.0	71,827	2.3	(33,293)	(6.6)	(38,350)	(4.0)
Income tax (expense)/benefit	(1,033)	(0.0)	(2,403)	(0.0)	(12,657)	(0.4)	3,865	0.8	11,214	1.1
(Loss)/profit for the year/period	(65,916)	(2.6)	108,001	1.9	59,170	1.9	(29,428)	(5.8)	(27,136)	(2.9)
(Loss)/profit for the year/period attributable to:										
Equity owners of the Company	(56,193)	(2.2)	100,633	1.8	53,246	1.7	(37,995)	(7.5)	(29,117)	(3.1)
Non-controlling interests	(9,723)	(0.4)	7,368	0.1	5,924	0.2	8,567	1.7	1,981	0.2

FINANCIAL INFORMATION

NON-IFRS MEASURE

To supplement our consolidated statements of profit or loss that are presented in accordance with IFRS, we also use adjusted net profit/loss and adjusted EBITDA as non-IFRS measures, which are not required by or presented in accordance with IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impacts of certain items. We believe that these non-IFRS measures provide useful information to investors and others in understanding and evaluating our consolidated statements of profit or loss in the same manner as they help our management. However, our presentation of these non-IFRS measures may not be comparable to similar measures presented by other companies. The use of these non-IFRS measures have limitations as an analytical tool, and you should not consider them in isolation from, or as substitutes for analysis of, our consolidated statements of profit or loss or financial condition as reported under IFRS.

We define adjusted net profit or loss (non-IFRS measure) as profit or loss for the period adding back share-based compensation expenses and [REDACTED] expenses. We define adjusted EBITDA (non-IFRS measure) as profit or loss for the period adding back share-based compensation expenses, [REDACTED] expenses, net finance cost, income tax expenses and depreciation and amortization.

	Year ended December 31,			Four months ended April 30,	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Loss)/profit for the year/period	<u>(65,916)</u>	<u>108,001</u>	<u>59,170</u>	<u>(29,428)</u>	<u>(27,136)</u>
Add:					
Share-based compensation expenses ⁽¹⁾	13,309	3,428	50,567	368	22,936
[REDACTED] expenses ⁽²⁾	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Adjusted net (loss)/profit (non-IFRS measure)	<u>(43,413)</u>	<u>128,870</u>	<u>133,365</u>	<u>(22,535)</u>	<u>11,832</u>
Adjusted net (loss)/profit (non-IFRS measure)	(43,413)	128,870	133,365	(22,535)	11,832
Add:					
Finance costs/(income), net	43,430	10,985	(447)	1,094	(590)
Income tax expenses/(benefit)	1,033	2,403	12,657	(3,865)	(11,214)
Depreciation and amortization	<u>35,453</u>	<u>52,107</u>	<u>68,189</u>	<u>20,570</u>	<u>36,948</u>
Adjusted EBITDA (non-IFRS measure)	<u>36,503</u>	<u>194,365</u>	<u>213,764</u>	<u>(4,736)</u>	<u>36,976</u>
EBITDA margin (non-IFRS measure) (%)	<u>1.4</u>	<u>3.5</u>	<u>6.7</u>	<u>(0.9)</u>	<u>3.9</u>

Notes:

- (1) Share-based compensation expenses are non-cash in nature and mainly represent fair values of share options granted to our employees. Share based-compensation is not expected to result in future cash payments.
- (2) [REDACTED] expenses are related to the [REDACTED].

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME LINE ITEMS

Revenue

Revenue represents income from our sales of goods and provision of services and is shown net of returns and value-added tax.

By product line

We primarily design, manufacture and sell products customized to satisfy the requirements of specific industrial sectors and needs of our customers. This includes EV battery systems, and to a lesser extent, auxiliary products including energy storage solutions and BMS in China and outside of China. We also provide EV battery system engineering services to customers on an as-needed basis.

In particular, we develop EV battery systems with various battery cells compatible with customers’ specifications. We normally purchase battery cells and other non-battery cell materials by ourselves for the manufacturing of EV battery systems, under which we act as the principal with respect to the provision of EV battery systems and present revenue on a gross basis, which reflect our cost of procuring all the relevant raw materials including battery cells and non-battery cell materials. On the other hand, we may also enter into arrangements with EV OEM and battery cell manufacturer customers where they procure battery cells directly from battery cell manufacturers or provide them themselves, while we are responsible for procuring other non-battery cell materials. Accordingly, revenue of sales of EV battery systems without procurement of battery cells does not reflect any cost of procuring battery cells. We have also, to a very limited extent, sold EV battery system modules to customers on an as-needed basis. For further details, see the section headed “Business — Sales, Customers and Marketing — EV Battery Systems.” The following table sets forth the breakdown of revenue by product line and the breakdown of revenue from EV battery systems by business model for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
EV battery systems										
With procurement of battery cells ⁽¹⁾	2,222,321	86.6	4,481,370	80.4	1,931,612	60.8	342,956	67.9	515,017	54.2
Without procurement of battery cells ⁽²⁾	302,908	11.8	1,066,423	19.1	1,147,784	36.1	137,232	27.1	389,667	41.1
	2,525,229	98.4	5,547,793	99.5	3,079,396	97.0	480,188	95.0	904,684	95.3
Others⁽³⁾	41,432	1.6	26,579	0.5	96,574	3.0	25,153	5.0	44,715	4.7
Total	<u>2,566,661</u>	<u>100.0</u>	<u>5,574,372</u>	<u>100.0</u>	<u>3,175,970</u>	<u>100.0</u>	<u>505,341</u>	<u>100.0</u>	<u>949,399</u>	<u>100.0</u>

FINANCIAL INFORMATION

Notes:

- (1) Under this business model, we are responsible for procuring the raw materials, including battery cells.
- (2) Under this business model, our customers are responsible for procuring the battery cells and, in some cases, other non-battery cell materials.
- (3) Mainly includes revenue from provision of EV battery system engineering services and sales of energy storage solution, BMS and materials.

The increase in revenue from 2021 to 2022 was primarily driven by (i) the increase in demand for EV battery systems due to the rapid growth of the EV market; (ii) the strengthening of our relationships with key customers; and (iii) the increased penetration of the fast-growing non-passenger BEV market (such as buses and trucks) in India. We expect sales of energy storage solution and BMS to continue to represent a minor portion of our revenue in the future, as these products designed and sold to customers on an as-needed basis. The increase in revenue contribution from sales of EV battery systems without procurement of battery cells during the Track Record Period was mainly due to our strategic business adjustment that we have increasingly shifted our business model to allow for customers to source battery cells directly, alleviating us from the concerns of cost fluctuations and quality control, improving our liquidity and allowing us to focus on our core competency of developing customized EV battery systems.

FINANCIAL INFORMATION

The following table sets forth the sales volume, average selling price and average energy capacity of our EV battery systems by business model for the periods indicated:

	Year ended December 31,						Four months ended April 30,													
	2021			2022			2023			2024										
	Average selling price ⁽²⁾	Average energy capacity ⁽³⁾	Average selling price ⁽²⁾	Average energy capacity ⁽³⁾	Average selling price ⁽²⁾	Average energy capacity ⁽³⁾	Average selling price ⁽²⁾	Average energy capacity ⁽³⁾	Average selling price ⁽²⁾	Average energy capacity ⁽³⁾										
Sales volume ⁽¹⁾	units	%	RMB/unit	units	%	RMB/unit	units	%	RMB/unit	units	%	RMB/unit	units	%	RMB/unit	units	%			
EV battery systems with procurement of battery cells	219,709	72.5	10,115	14.9	295,986	56.0	15,140	16.1	64,979	18.1	29,727	33.7	12,625	37.8	27,165	27.4	15,265	11.6	33,738	42.3
EV battery systems without procurement of battery cells	83,336	27.5	3,635	16.9	232,276	44.0	4,591	23.9	293,887	81.9	3,906	26.5	20,778	62.2	6,605	29.3	116,703	88.4	3,339	28.9
Total	<u>303,045</u>	<u>100.0</u>	<u>8,333</u>	<u>15.5</u>	<u>528,262</u>	<u>100.0</u>	<u>10,502</u>	<u>19.5</u>	<u>358,866</u>	<u>100.0</u>	<u>8,850</u>	<u>27.8</u>	<u>33,403</u>	<u>100.0</u>	<u>14,376</u>	<u>28.6</u>	<u>131,968</u>	<u>100.0</u>	<u>6,855</u>	<u>30.4</u>

Notes:

- (1) Sales volume represents the units of EV battery systems sold, and to a very limited extent, units of EV battery system modules sold.
- (2) Average selling price is calculated by dividing the revenue of each product line by its sales volume for the respective period.
- (3) Average energy capacity is calculated by dividing the total energy capacity of the EV battery systems of each product line by its sales volume for the respective period.

FINANCIAL INFORMATION

Both of our sales volume of EV battery systems with and without procurement of battery cells increased significantly from 2021 to 2022 and from the four months ended April 30, 2023 to the same period in 2024. This was mainly attributable to the increasing market demand for EV battery systems. Our sales volume of EV battery systems with procurement of battery cells decreased from 2022 to 2023. Such decrease was primarily due to (i) a decrease in market demand for A00 size BEVs; and (ii) Customer A, one of our major customers, opting to procure battery cells directly for its new projects since the second quarter of 2023. Our sales volume of EV battery systems without procurement of battery cells increased from 2022 to 2023, which was mainly due to (i) increases in our sales of EV battery systems for A0 size BEVs; and (ii) the shift from with to without procurement of battery cells by Customer A. Sales volume of EV battery systems without procurement of battery cells increased from the four months ended April 30, 2023 to the four months ended April 30, 2024, which was mainly due to the shift of business model from with to without procurement of battery cells for Customer A's new projects in the four months ended April 30, 2024 as aforementioned.

The average selling prices of EV battery systems with procurement of battery cells increased from RMB10,115 per unit in 2021 to RMB15,140 per unit in 2022. This was primarily due to (i) the launch of new products as a response to customers' demands targeting A0 size passenger BEV market which were of relatively higher energy capacity and average selling price; and (ii) the increase in market price of battery cells. The average selling prices of EV battery systems with procurement of battery cells increased from RMB15,140 per unit in 2022 to RMB29,727 per unit in 2023, which was primarily due to an increase in sales of EV battery systems for buses sold in India where the average unit price was relatively higher given it is an underserved market and average energy capacity was relatively higher. The average selling prices of EV battery systems with procurement of battery cells increased from RMB27,165 per unit for the four months ended April 30, 2023 to RMB33,738 per unit for the four months ended April 30, 2024. This was primarily due to an increase in sales of a newly launched passenger EV project in India where the average unit price was relatively higher.

The average selling prices of EV battery systems without procurement of battery cells increased from RMB3,635 per unit in 2021 to RMB4,591 per unit in 2022, which was mainly due to the increase in sales contribution from EV battery systems with larger energy capacity. The average selling prices of EV battery systems without procurement of battery cells decreased from RMB4,591 per unit in 2022 to RMB3,906 per unit in 2023, which was mainly due to (i) an increase in revenue contribution from an EV OEM customer who procured battery cells and non-battery cell materials by themselves. Thus, our selling price per unit to this customer is relatively lower; and (ii) the optimized design and production process of our products which subsequently reduced our cost and selling prices. The average selling prices of EV battery systems without procurement of battery cells decreased from RMB6,605 per unit for the four months ended April 30, 2023 to RMB3,339 per unit for the four months ended April 30, 2024, which was mainly due to an increase in revenue contribution from an EV OEM customer who procured battery cells and non-battery cell materials by themselves. Our cost of procuring battery cell raw materials is reflected in the selling prices and revenue of our EV

FINANCIAL INFORMATION

battery systems with procurement of battery cells. Therefore, the average selling prices of our EV battery systems with procurement of battery cells are generally higher as compared to those without procurement of battery cells.

The average energy capacity of EV battery systems with procurement of battery cells increased from 16.1kWh per unit in 2022 to 33.7kWh per unit in 2023 and from 27.4kWh per unit for the four months ended April 30, 2023 to 42.3kWh per unit for the four months ended April 30, 2024. This was primarily due to increase in customers’ demands for EV battery systems with larger energy capacity.

The average energy capacity of EV battery systems without procurement of battery cells increased from 16.9kWh per unit in 2021 to 23.9kWh per unit in 2022. This was mainly attributable to the launch of several new battery systems with relatively larger energy capacity.

By geographic area and vehicle type

The following table sets forth our revenue by geographic area and vehicle size for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
EV battery systems										
China										
A00	2,188,510	85.3	4,374,775	78.5	838,503	26.4	193,488	38.3	132,838	14.0
A0	81,487	3.2	351,722	6.3	877,149	27.6	38,802	7.7	99,075	10.4
A and above	162,495	6.3	639,920	11.5	373,846	11.8	137,017	27.1	237,489	25.0
Others ⁽¹⁾	31,516	1.2	53,842	1.0	117,275	3.7	6,533	1.3	43,073	4.6
	<u>2,464,008</u>	<u>96.0</u>	<u>5,420,259</u>	<u>97.2</u>	<u>2,206,773</u>	<u>69.5</u>	<u>375,840</u>	<u>74.4</u>	<u>512,475</u>	<u>54.0</u>
India ⁽¹⁾⁽²⁾	56,264	2.2	90,132	1.6	822,341	25.9	96,879	19.2	377,835	39.8
United States ⁽¹⁾	4,948	0.2	37,186	0.7	50,281	1.6	7,469	1.5	14,374	1.5
	<u>61,212</u>	<u>2.4</u>	<u>127,318</u>	<u>2.3</u>	<u>872,622</u>	<u>27.5</u>	<u>480,188</u>	<u>95.0</u>	<u>904,684</u>	<u>95.3</u>
Others⁽³⁾	<u>41,412</u>	<u>1.6</u>	<u>26,796</u>	<u>0.5</u>	<u>96,575</u>	<u>3.0</u>	<u>25,153</u>	<u>5.0</u>	<u>44,715</u>	<u>4.7</u>
Total	<u><u>2,566,632</u></u>	<u><u>100.0</u></u>	<u><u>5,574,372</u></u>	<u><u>100.0</u></u>	<u><u>3,175,970</u></u>	<u><u>100.0</u></u>	<u><u>505,341</u></u>	<u><u>100.0</u></u>	<u><u>949,399</u></u>	<u><u>100.0</u></u>

Notes:

(1) Mainly includes commercial and special purpose vehicles.

FINANCIAL INFORMATION

- (2) The products we sold in India during the Track Record Period were EV battery systems for commercial and special purpose vehicles and passenger vehicles. In 2021 and 2022, the EV battery systems we sold in India were manufactured in and imported from China. Starting from 2023, with the localization of our manufacturing capacity in India, we manufactured EV battery systems in India also with the support of our manufacturing facilities in China for our sales of EV battery systems in India.
- (3) Mainly includes revenue from provision of EV battery system engineering services and sales of energy storage solution, BMS and materials.

While we expect China to continue to account for a substantial portion of our EV battery system revenue in the future, we also intend to continue to strengthen our sales in India. Our EV battery system revenue from India grew from RMB56.3 million in 2021 to RMB90.1 million in 2022 and further to RMB822.3 million in 2023. Our EV battery system revenue from India grew from RMB96.9 million for the four months ended April 30, 2023 to RMB377.8 million for the four months ended April 30, 2024. These increases were primarily attributable to (i) an increase in our localized manufacturing capabilities; (ii) an increase in demand from Customer D; and (iii) our development of new customers.

EV battery systems for A00 BEVs accounted for a significant portion of our EV battery system revenue in China in 2021 and 2022. Our success in supplying EV battery systems for a popular A00 size passenger BEV that accounted for approximately 33% of total passenger BEV unit sales in 2021, according to the F&S Report, led to nominations from other EV OEMs for us to develop similar battery systems. The end-market popularity of these A00 size passenger BEVs in turn increased the revenue composition of EV battery systems for A00 size passenger BEVs. However, the composition of our EV battery system revenue in China has shifted since 2023. In particular, in 2023, A0 segment accounted for the majority of our EV battery system revenue in China at 39.8%, followed by A00 segment at 38.0% and A and above segment accounting for 16.9%. For the four months ended April 30, 2024, A and above segment revenue further increased to account for 46.3% of our EV battery system revenue in China, followed by A00 segment at 25.9% and A0 segment accounting for 19.3%. The shift towards A0, A and above segments was a combined result of the organic growth of these segments and our proactive efforts since 2022 to optimize our product mix by targeting these projects. The decrease in revenue from EV battery systems for A and above segments from 2022 to 2023 was primarily because certain key A and above size EV models of Customer A and Customer B reached the end of their life cycles in 2023 and, accordingly, customers did not place as many orders for such EV models in 2023 as they did in the previous year. Looking ahead at our pipeline of nominated EV battery system projects on hand, we expect this trend to persist as the market share of A00 segment by volume is forecasted to stabilize going forward, and A0 and A segments are estimated to account for approximately 47% of total passenger BEV sales volume in China in 2028, according to the F&S Report.

FINANCIAL INFORMATION

The following table sets forth the sales volume, average selling price and average energy capacity of our EV battery systems by geographic area and vehicle size for the periods indicated:

	Year ended December 31,						Four months ended April 30,													
	2021			2022			2023			2024										
	Average sales volume ⁽¹⁾ units	Average selling price ⁽²⁾ RMB/unit	Average energy capacity ⁽³⁾ kWh/unit	Average sales volume ⁽¹⁾ units	Average selling price ⁽²⁾ RMB/unit	Average energy capacity ⁽³⁾ kWh/unit	Average sales volume ⁽¹⁾ units	Average selling price ⁽²⁾ RMB/unit	Average energy capacity ⁽³⁾ kWh/unit	Average sales volume ⁽¹⁾ units	Average selling price ⁽²⁾ RMB/unit	Average energy capacity ⁽³⁾ kWh/unit								
China																				
A00	293,484	96.8	7,457	14.6	445,948	84.4	9,810	18.2	192,655	53.7	4,352	17.1	21,590	64.6	8,962	19.1	40,414	30.6	3,287	15.8
A0	1,819	0.6	44,798	46.6	35,736	6.8	9,842	38.9	108,134	30.1	8,112	38.8	5,466	16.4	7,099	34.1	15,483	11.7	6,399	41.7
A and above	4,693	1.5	34,625	51.1	42,368	8.0	15,104	16.2	42,224	11.8	8,854	34.6	4,733	14.2	28,949	57.0	56,724	43.0	4,187	34.0
Others ⁽⁴⁾	2,439	0.8	12,922	14.4	2,821	0.5	19,086	14.2	6,014	1.7	19,500	28.1	350	1.0	18,668	9.3	6,412	4.9	6,717	41.1
India ⁽⁴⁾	302,435	99.8	8,147	15.4	526,874	99.7	10,288	19.4	349,027	97.3	6,323	26.2	32,139	96.2	11,694	27.1	119,033	90.2	4,305	29.2
United States ⁽⁴⁾	469	0.2	119,966	88.7	719	0.1	125,357	88.8	8,896	2.5	92,439	91.3	810	2.4	119,603	98.6	12,604	9.6	29,977	41.5
	141	0	35,089	11.4	669	0.1	55,584	18.8	943	0.3	53,321	21.8	454	1.4	16,451	9.1	331	0.3	43,426	32.8
Total	303,045	100.0	8,333	15.5	528,262	100.0	10,502	19.5	358,866	100.0	8,850	27.8	33,403	100.0	14,376	28.6	131,968	100.0	6,855	30.4

Notes:

- (1) Sales volume represents the units of EV battery systems sold, and to a very limited extent, units of EV battery system modules sold.
- (2) Average selling price is calculated by dividing the revenue generated from sales of EV battery systems in each country by its sales volume for the respective period.
- (3) Average energy capacity is calculated by dividing the total energy capacity of the EV battery systems sold in each country (by vehicle size) by its sales volume for the respective period.
- (4) Mainly includes commercial and special purpose vehicles.

FINANCIAL INFORMATION

Our sales volume of EV battery systems in China increased significantly from 302,435 units in 2021 to 526,874 units in 2022, which was mainly attributable to the increasing market demand for EV battery systems in China, in particular the A00 segment. Our sales volume of EV battery systems in China decreased from 526,874 units in 2022 to 349,027 units in 2023, which was primarily due to a decrease in market demand for A00 size passenger BEVs, partially offset by an increase in market demand for A0 class EVs. Our sales volume of EV battery systems in China increased from 32,139 units for the four months ended April 30, 2023 to 119,033 units for the four months ended April 30, 2024, which was primarily due to the launch of several new projects in the A0, A and above segments in the four months ended April 30, 2024.

The average selling prices of EV battery systems in China increased from RMB8,147 per unit in 2021 to RMB10,288 per unit in 2022, which was primarily attributable to an increase in average selling prices of EV battery systems with procurement of battery cells as a result of the launch of new products targeting A0 size passenger BEV market which were of relatively larger energy capacity. The average selling prices of EV battery systems in China decreased from RMB10,288 per unit in 2022 to RMB6,323 per unit in 2023, which was primarily due to the increase in sales contribution from sales of EV battery systems without procurement of battery cells, especially in the A00 passenger BEV segment, which were of relatively lower average selling price. The average selling prices of EV battery systems in China decreased from RMB11,694 per unit for the four months ended April 30, 2023 to RMB4,305 per unit for the four months ended April 30, 2024, which was primarily due to a shift of business model of Customer A from with to without procurement of battery cells for its new projects since the second quarter of 2023.

The average energy capacity of EV battery systems in China increased from 15.4kWh per unit in 2021 to 19.4kWh per unit in 2022 and further to 26.2kWh per unit in 2023 and 29.2kWh per unit in the four months ended April 30, 2024. The increase was primarily due to (i) the launch of new EV battery system projects with relatively larger energy capacity; and (ii) an increase in customers' demands for EV battery systems with larger energy capacity.

Our sales volume of EV battery systems in India increased from 469 units in 2021 to 719 units in 2022, which was mainly attributable to the increase in demand of our certain major customers, including Customer D. Our sales volume of EV battery systems in India increased from 719 units in 2022 to 8,896 units in 2023, which was primarily due to (i) an increase in our manufacturing capacity along with the operation of our local manufacturing facility in India; and (ii) the launch of new EV battery systems with larger energy capacity in India. Our sales volume of EV battery systems in India increased from 810 units in the four months ended April 30, 2023 to 12,604 units in the four months ended April 30, 2024, which was primarily due to the launch of a well-received new passenger EV product in India.

There were no significant changes in the U.S. dollar amount of our average selling prices in India in 2021 and 2022, respectively. However, as a result of the depreciation in the value of RMB in 2022, the average selling prices of EV battery systems in India increased to RMB125,357 per unit in 2022 from RMB119,966 per unit in 2021. The average selling prices

FINANCIAL INFORMATION

of EV battery systems in India decreased from RMB125,357 per unit in 2022 to RMB92,439 per unit in 2023, respectively. This is primarily due to a decrease in the pricing of our EV battery systems, which were mainly sold with procurement of battery cells, as a result of decline in battery cell cost. The average selling prices of EV battery systems in India decreased from RMB119,603 per unit in the four months ended April 30, 2023 to RMB29,977 per unit in the four months ended April 30, 2024, which was primarily due to the launch of a new passenger EV product in India as aforementioned, which has relatively lower energy capacity than battery systems for non-passenger EVs.

The average energy capacity of EV battery systems in India remained stable at 88.7kWh per unit and 88.8kWh per unit in 2021 and 2022, respectively, as sales of our products in India remained stable. The average energy capacity of EV battery systems in India increased from 88.8kWh per unit in 2022 to 91.3kWh per unit in 2023, which was mainly a result of the launch of new EV battery systems with larger energy capacity in India. The average energy capacity of EV battery systems in India decreased from 98.6kWh per unit to 41.5kWh per unit for the four months ended April 30, 2023 and 2024, respectively, which was mainly a result of the launch of a new passenger EV product in India as aforementioned, which has relatively lower average energy capacity than battery systems for non-passenger EVs.

Our sales volume of EV battery systems in the United States increased from 141 units in 2021 to 669 units in 2022, and further increased to 943 units in 2023. The increases were mainly attributable to new customers we developed as well as the increase in the local market demand. Our sales volume of EV battery systems in the United States decreased from 454 units to 331 units in the four months ended April 30, 2023 and 2024, respectively, which was primarily due to normal fluctuations in sales volume of different projects.

The average selling prices of EV battery systems in the United States increased from RMB34,358 per unit in 2021 to RMB55,584 per unit in 2022. The average selling prices of EV battery systems in the United States remained relatively stable at RMB55,584 per unit in 2022 and RMB53,321 per unit in 2023. The average selling prices of EV battery systems in the United States increased from RMB16,451 per unit to RMB43,426 per unit in the four months ended April 30, 2023 and 2024, respectively. The increase was mainly attributable to an increase of projects involving products with relatively higher energy capacity.

The changes in average energy capacity of EV battery systems in the United States during the Track Record Period were mainly attributable to the fluctuations of sales volume contribution of projects involving products with different energy capacity.

FINANCIAL INFORMATION

Cost of Revenues

Our cost of revenues primarily include (i) cost of raw materials, mainly including battery cells, casing and harness; (ii) labor cost, including salaries and benefits of our manufacturing staff and labor outsourcing cost; (iii) depreciation and amortization, mainly in relation to our manufacturing facilities and manufacturing equipment; (iv) expenses related to manufacturing, mainly in relation to utility, manufacturing workwear and tools; (v) office expenses; (vi) freight expenses which are incurred during manufacturing activities; (vii) product warranties; and (viii) others, primarily including professional service expenses and provision of inventories. The following table sets forth the breakdown of the cost of revenues by nature for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Cost of raw materials	2,161,426	92.6	4,796,601	93.7	2,392,912	90.9	372,955	86.5	741,628	90.3
Labor cost	84,025	3.6	172,605	3.4	114,104	4.3	35,209	8.2	44,366	5.4
Depreciation and amortization	24,115	1.0	35,813	0.7	42,723	1.6	14,132	3.3	25,455	3.1
Expenses related to manufacturing	6,358	0.3	10,391	0.2	12,525	0.5	1,789	0.4	3,847	0.5
Office expenses	5,821	0.2	9,432	0.2	8,951	0.3	3,456	0.8	1,785	0.2
Freight expenses	493	0.0	4,350	0.1	4,498	0.2	1,083	0.3	989	0.1
Product warranties	50,202	2.2	80,761	1.6	51,007	1.9	906	0.2	488	0.1
Others	1,127	0.0	7,295	0.1	7,174	0.3	1,771	0.3	2,875	0.3
Total	2,333,567	100.0	5,117,248	100.0	2,633,894	100.0	431,301	100.0	821,433	100.0

The cost of raw materials remained the largest component of our cost of revenues during the Track Record Period. Our cost of raw materials increased from 2021 to 2022, decreased from 2022 to 2023 and increased from the four months ended April 30, 2023 to the same period in 2024, which was in line with the fluctuation of our revenue (in particular, the contribution of sales of EV battery systems with or without procurement of battery cells) and as affected by the fluctuation of market prices of certain raw materials such as battery cells, ICs and lithium carbonate. For instance, the average price of battery cells increased from RMB0.57 per Wh in 2021 to RMB0.86 per Wh in 2022, and subsequently decreased to RMB0.65 per Wh in 2023, according to the F&S Report.

FINANCIAL INFORMATION

The following table sets forth a sensitivity analysis of our gross profit and gross profit margin for the four months ended April 30, 2024, for illustrative purposes only, based on the extent of fluctuation in cost of raw materials with regard to certain possible changes in cost of raw materials, assuming all other variables remain constant:

	Four months ended April 30, 2024		
	Change in gross profit	Change in gross profit margin	Gross profit margin
	<i>RMB'000</i>	%	%
Percentage change in amount of cost of raw materials			
-20%	(148,308)	(116)	(102)
-15%	(111,231)	(87)	(73)
-10%	(74,154)	(58)	(44)
-5%	(37,077)	(29)	(15)
0%	–	–	13
+ 5%	37,077	29	42
+ 10%	74,154	58	71
+ 15%	111,231	87	100
+ 20%	148,308	116	129

Gross Profit and Gross Profit Margin

By product line

The following table sets forth the breakdown of gross profit and gross profit margin by product line for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2021		2022		2023		2023		2024	
	<i>Gross profit</i>	<i>Gross margin</i>	<i>Gross profit</i>	<i>Gross margin</i>	<i>Gross profit</i>	<i>Gross margin</i>	<i>Gross profit</i>	<i>Gross margin</i>	<i>Gross profit</i>	<i>Gross margin</i>
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
<i>(unaudited)</i>										
EV battery systems										
With procurement of battery cells	135,834	6.1	228,801	5.1	249,401	12.9	28,326	8.3	27,068	5.3
Without procurement of battery cells	70,472	23.3	212,908	20.0	252,953	22.0	34,069	24.8	83,402	21.4
Others⁽¹⁾	26,788	64.7	15,414	57.5	39,722	41.1	11,645	46.3	17,496	39.1
Total	233,094	9.1	457,124	8.2	542,076	17.1	74,040	14.7	127,966	13.5

FINANCIAL INFORMATION

Note:

- (1) Mainly includes provision of EV battery system engineering services and sales of energy storage solution, BMS and materials.

Gross profit margin of sales of EV battery systems without procurement of battery cells in nature is relatively higher than that of EV battery systems with procurement of battery cells. This is because under sales of EV battery systems without procurement of battery cells, our customers are responsible for procuring the battery cells and, in some cases, other non-battery cell materials. As such, cost of battery cells is excluded from both the revenue and cost of revenue when calculating gross profit margin of sales of EV battery systems without procurement of battery cells. This business model mitigates our exposure to the credit risk of customers and warranty liabilities and significantly reduces our cost of revenues, which leads to a higher gross profit margin. For other raw materials that we procure, we pass on such costs to customers by adopting a cost-plus approach to pricing our products. Furthermore, we generally renegotiate pricing with customers when there is a significant increase in the market price of any major raw materials at the time we purchase these materials.

Gross profit margin of EV battery systems with procurement of battery cells increased from 5.1% in 2022 to 12.9% in 2023 as a result of the economy of scale along with the high market demand for non-passenger EVs in India which has a relatively higher profit margin as an underserved market. Gross profit margin of EV battery systems with procurement of battery cells decreased from 8.3% for the four months ended April 30, 2023 to 5.3% for the four months ended April 30, 2024, which was primarily due to a decrease in revenue contribution from EV buses in India, which has a relatively higher gross profit margin, as orders from the government to our EV OEM customer decreased during the period ahead of the general elections. Cost of battery cells accounted for 72.0%, 80.9%, 73.3%, 79.9% and 67.1% of our total cost for sales of EV battery systems with procurement of battery cells for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024, respectively. Our battery cell procurement costs increased in 2021 and 2022 due to increasing market prices. However, these costs were entirely transferred to our customers, reflecting in the revenue from corresponding customers, as we adopt a cost-plus approach to pricing our products. As such, fluctuations in average price of raw materials had no impact on our gross profit from sales of EV battery systems with procurement of battery cells.

Gross profit margin of EV battery systems without procurement of battery cells remained relatively stable at 23.3%, 20.0% and 22.0% in 2021, 2022 and 2023, respectively. Gross profit margin of EV battery systems without procurement of battery cells decreased from 24.8% for the four months ended April 30, 2023 to 21.4% for the four months ended April 30, 2024, which was primarily due to the launch of several new projects in the four months ended April 30, 2024 and the typically higher costs incurred at the beginning of the life cycle of a product as we continue to optimize production and sourcing efficiency.

FINANCIAL INFORMATION

Gross profit margin of others decreased from 64.7% in 2021 to 57.5% in 2022, which was primarily due to the completion of a one-off project which was of relatively higher gross profit margin in 2021. Gross profit margin of others decreased from 57.5% in 2022 to 41.1% in 2023, which was mainly due to the decrease in revenue contribution from EV battery system engineering services which were of relatively higher gross profit margin. Gross profit margin of others decreased from 46.3% for the four months ended April 30, 2023 to 39.1% for the four months ended April 30, 2024, which was primarily due to a one-off sale of materials to Customer D, which has a relatively lower gross profit margin.

By geographic area

The following table sets forth the breakdown of gross profit and gross profit margin by geographic area for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2021		2022		2023		2023		2024	
	<i>Gross profit</i>	<i>profit margin</i>	<i>Gross profit</i>	<i>profit margin</i>	<i>Gross profit</i>	<i>profit margin</i>	<i>Gross profit</i>	<i>profit margin</i>	<i>Gross profit</i>	<i>profit margin</i>
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
China	221,471	8.9	435,020	8.0	361,030	15.8	52,683	13.4	110,843	20.8
India	2,545	4.5	4,760	5.3	150,871	18.3	18,988	18.8	5,220	1.3
United States	9,078	69.7	17,344	43.1	30,175	48.7	2,369	24.6	11,903	59.4
Total	<u>233,094</u>	9.1	<u>457,124</u>	8.2	<u>542,076</u>	17.1	<u>74,040</u>	14.7	<u>127,966</u>	13.5

Gross profit margin in China increased from 8.0% in 2022 to 15.8% in 2023 and further to 20.8% in the four months ended April 30, 2024, which was mainly due to an increase in revenue contribution from sales of EV battery systems without procurement of battery cells which were of relatively higher gross profit margin. This is because cost of battery cells is excluded from both the revenue and cost of revenue when calculating gross profit margin of sales of EV battery systems without procurement of battery cells.

FINANCIAL INFORMATION

Gross profit margin in India increased from 5.3% in 2022 to 18.3% in 2023, which was mainly attributable to (i) the decrease in tariff expenses; and (ii) our further enhanced local manufacturing capabilities. Gross profit margin decreased from 18.8% for the four months ended April 30, 2023 to 1.3% for the four months ended April 30, 2024. This decrease profit was primarily attributable to an increase in cost of revenues, mainly due to (i) a decrease in revenue contribution from EV buses, which has a relatively higher gross profit margin, as orders from the government to our EV OEM customer decreased during the period ahead of the general elections; and (ii) the launch of our first passenger EV product in India. This product had a relatively lower gross profit margin primarily due to (a) the pricing strategy adopted to gain market share in this segment, which has significant long-term potential; (b) the incurrence of air freight expense for battery cells from China to India to meet delivery deadlines, as the battery cell supplier was ramping up production at its new manufacturing facility; and (c) the typically higher costs incurred at the beginning of the life cycle of a product as we continue to optimize production and sourcing efficiency.

Gross profit margin in the United States decreased from 69.7% in 2021 to 43.1% in 2022 mainly because we generated revenue from engineering services in the United States for developing certain prototypes in 2021, which were of relatively higher gross profit margin as our customers procured the raw materials. The gross profit margin in the United States increased from 43.1% to 48.7% in 2022 and 2023, respectively. This was primarily a result of the appreciation of value of U.S. dollars, the settlement currency for our business in the United States, and an increase in engineering service projects. Gross profit margin in the United States increased from 24.6% for the four months ended April 30, 2023 to 59.4% for the four months ended April 30, 2024, which was mainly due to the increased revenue contribution from engineering services for developing certain technologies, which had a relatively higher gross profit margin. During the Track Record Period, our business in the United States yielded a higher gross profit margin as compared to our business outside of the United States. This was primarily attributable to our higher bargaining power, derived from our ability to offer highly customized solutions with significant flexibility to our customers in the United States. In contrast, our competitors typically provide standard battery systems. Our unique value proposition enables us to price our products higher, thereby contributing to an elevated gross profit margin. During the Track Record Period, our business in the United States mainly involved engineering service projects that do not go into mass production. Although these engineering service projects yield higher profit margins, they are generally smaller in scale. These projects form a key component of our strategic plan to expand into the United States market, serving to demonstrate our capabilities and cultivate relationships with our customers in the United States. On the other hand, many of our projects in China and India have culminated in mass-produced products that generate higher revenue. Given our success and growth in China and India, we will continue to focus on larger-scale projects and will only provide engineering services on an as-needed basis.

FINANCIAL INFORMATION

For further details of period to period comparison of our gross profit margin, see the section headed “—Period to Period Comparison of Results of Operations” below.

Selling and Marketing Expenses

Selling and marketing expenses primarily comprise (i) freight expenses, which are for delivery of products to customers; (ii) employee salaries and benefits, which represent salaries and benefits of our sales, marketing and service staff; (iii) office fees; and (iv) others, primarily including depreciation and amortization. The following table sets forth the breakdown of selling and marketing expenses for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>(unaudited)</i>			
Freight expenses	33,327	54.2	55,724	61.0	31,197	44.0	11,462	55.1	10,212	38.5
Employee salaries and benefits	16,029	26.0	18,959	20.8	24,971	35.2	5,425	26.1	8,320	31.4
Office fees	10,547	17.1	13,304	14.6	9,911	14.0	2,316	11.1	6,021	22.7
Others	1,641	2.7	3,297	3.6	4,773	6.8	1,602	7.7	1,941	7.4
Total	61,544	100.0	91,284	100.0	70,852	100.0	20,805	100.0	26,494	100.0

The general increase in selling and marketing expenses during the Track Record Period was in line with the growth of our sales volume to meet the increasing market demand for our EV battery systems.

FINANCIAL INFORMATION

Research and Development Expenses

Research and development expenses represent the expenses in relation to our EDD activities. Research and development expenses principally comprise (i) employee salaries and benefits with respect to our EDD staff; (ii) design and development expenses, primarily representing materials and equipment expenses for EDD activities such as experiments and trial productions; (iii) depreciation and amortization, primarily in relation to machines and equipment used for EDD activities, such as computer numerical control machines; (iv) office fees; (v) professional service fees, primarily representing consultation service fees to external research and development services providers; and (vi) others, mainly including freight expenses. The following table sets forth the breakdown of research and development expenses for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	<i>(unaudited)</i>									
Employee salaries and benefits	63,999	61.7	83,320	55.3	130,813	52.3	33,157	60.8	42,456	54.9
Design and development expenses	23,219	22.4	43,811	29.1	82,449	33.0	12,994	23.8	19,104	24.7
Depreciation and amortization	6,170	5.9	9,226	6.1	15,837	6.3	3,668	6.7	7,645	9.9
Office fees	6,082	5.9	8,852	5.9	13,814	5.5	3,340	6.1	4,138	5.4
Professional service fees	977	0.9	553	0.4	2,481	1.0	415	0.8	2,269	2.9
Others	3,308	3.2	4,884	3.2	4,781	1.9	958	1.8	1,705	2.2
Total	103,755	100.0	150,646	100.0	250,175	100.0	54,532	100.0	77,317	100.0

Our research and development expenses were RMB103.8 million, RMB150.6 million, RMB250.2 million and RMB77.3 million for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively. The increase in research and development expenses during the Track Record Period was primarily due to our continuous efforts in strengthening our technological capabilities and create new technologies for our products and manufacturing processes. In particular, we conducted numerous tests and research in 2022, 2023 and the four months ended April 30, 2024, such as thermal runaway experiments on cell, module and system levels, as part of the EDD process of battery systems using 4695 cylindrical battery cells to ensure the safety and performance of the battery system. We also expanded our EDD team during the Track Record Period, with 179, 267, 359 and 375 employees as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively.

FINANCIAL INFORMATION

Administrative Expenses

Administrative expenses principally comprise (i) employee salaries and benefits with respect to general and administration employees and finance and control employees; (ii) [REDACTED] expenses; (iii) office fees; (iv) professional service fees, primarily including audit and legal consultation service fees; (v) tax surcharges, primarily including urban maintenance and construction tax, education surcharge and stamp tax; (vi) depreciation and amortization; and (vii) others, mainly including utilities expenses. The following table sets forth the breakdown of administrative expenses for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Employee salaries and benefits	46,288	52.4	33,126	34.4	70,040	48.2	14,834	45.5	30,049	47.9
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Office fees	8,583	9.7	10,599	11.0	16,601	11.4	4,396	13.5	6,171	9.8
Professional service fees	11,487	13.0	9,486	9.8	16,790	11.6	1,901	5.8	3,945	6.3
Tax surcharges	6,827	7.7	17,871	18.5	9,741	6.7	1,831	5.6	2,994	4.8
Depreciation and amortization	4,150	4.7	5,234	5.4	6,218	4.3	1,727	5.3	2,666	4.2
Others	1,815	2.1	2,677	2.8	2,279	1.6	1,422	4.3	931	1.5
Total	88,344	100.0	96,434	100.0	145,297	100.0	32,636	100.0	62,788	100.0

Other Income

Other income represents government grants which have no unfulfilled conditions or other contingencies. Such government grants were primarily subsidies for EDD activities and manufacturing developments. Other income amounted to RMB8.0 million, RMB18.4 million, RMB22.3 million and RMB5.7 million for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively. Other income increased from RMB8.0 million for the year ended December 31, 2021 to RMB18.4 million for the year ended December 31, 2022, primarily because we obtained more government grants in 2022 due to our increased tax contribution in Anqing and Liuzhou in China.

FINANCIAL INFORMATION

Other Gains and Losses

Other gains primarily include (i) gain on penalty for overdue payment of outstanding consideration from Mahayana; (ii) gain on disposal of wastes; and (iii) foreign exchange gains. Other losses primarily include (i) loss on factoring of trade receivables without recourse; (ii) loss on discount of notes receivables; (iii) foreign exchange losses; and (iv) loss on disposal of property, plant and equipment. We recorded net other gains of RMB1.1 million in 2021 and net other losses of RMB17.0 million, RMB17.7 million and RMB6.4 million in 2022 and 2023 and the four months ended April 30, 2024, respectively.

Finance Income and Costs

Finance income represents interest income from bank deposits. Finance costs mainly include interest expenses on borrowings, interest expenses on other non-current liabilities, interest expenses on lease liabilities and interest expenses on payables to the non-controlling shareholders of SinoEV Changzhou. The following table sets forth the breakdown of our net finance costs or income for the periods indicated:

	Year ended December 31,			Four months ended	
				April 30,	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>				
<i>Finance income</i>					
Interest income from bank deposits	457	7,442	26,103	6,795	10,484
<i>Finance costs</i>					
Interest expenses on borrowings	(36,106)	(9,219)	(12,939)	(4,217)	(3,669)
Interest expenses on payables to the non-controlling shareholders of SinoEV Changzhou	(3,198)	(2,093)	–	–	–
Interest expenses on government grants payables	(631)	(631)	(631)	(210)	(210)
Interest expenses on lease liabilities	(1,321)	(2,062)	(2,471)	(481)	(1,990)
Interest expenses on other non-current liabilities	(2,631)	(4,422)	(9,615)	(2,981)	(4,025)
	(43,887)	(18,427)	(25,656)	(7,889)	(9,894)
Net finance (costs)/income	(43,430)	(10,985)	447	(1,094)	590

FINANCIAL INFORMATION

Income Tax Expense

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate. During the Track Record Period, our income tax expenses were substantially derived in the PRC. To a much lesser extent, we had income tax expenses derived in the United States and India.

Pursuant to the Corporate Income Tax (“CIT”) Law of the PRC, our subsidiaries in China are subject to the general CIT rate of 25% of the assessable profits, except for our certain subsidiaries in China which are recognized as high and new technology enterprises and are entitled to a preferential tax rate of 15%. Enterprises engaging in research and development activities are entitled to claim research and development expenses at the proportion of 175% from 2018 onwards, which has been subsequently raised to 200% from 2021 onwards, incurred as tax deductible expenses when determining their assessable profits for that year. We have made our best estimate for such tax deductible expenses to be claimed for our relevant subsidiaries in the PRC in ascertaining their assessable profits during the Track Record Period.

The corporate income tax rate in India is 25.17% of the assessable profits, based on the existing legislation, interpretations and practices in respect thereof during the Track Record Period.

U.S. state tax refers to the general term of U.S. state government tax, which must be paid whether there are profits or not.

Our subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax under the two-tiered profits tax regime, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million. There was no assessable profit for the subsidiaries incorporated in Hong Kong during the Track Record Period.

Under the current laws of the Cayman Islands, companies incorporated in the Cayman Islands are not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

Our Directors confirm that during the Track Record Period, we had made all the required tax filings and had paid all outstanding tax liabilities with the relevant tax authorities in the relevant jurisdictions and we are not aware of any outstanding or potential disputes with such tax authorities.

FINANCIAL INFORMATION

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four Months Ended April 30, 2023 Compared to Four Months Ended April 30, 2024

Revenue

Revenue increased by 87.9% from RMB505.3 million for the four months ended April 30, 2023 to RMB949.4 million for the four months ended April 30, 2024 primarily attributable to (i) the launch of new projects, notably, out of our 10 best-selling products in the four months ended April 30, 2024, seven were developed and introduced since the second half of 2023; (ii) an increase in sales of products in the A and above segments as a result of our proactive product mix optimization since 2023; and (iii) an increase in sales of battery systems in India, which was mainly driven by the launch of new products and development of a new customer.

EV battery systems with procurement of battery cells. Revenue from sales of EV battery systems with procurement of battery cells increased by 50.2% from RMB343.0 million for the four months ended April 30, 2023 to RMB515.0 million for the four months ended April 30, 2024. This increase was primarily attributable to the launch of a well-received new product in India under this business model and with a relatively higher average selling price than EV battery systems in China.

EV battery systems without procurement of battery cells. Revenue from sales of EV battery systems without procurement of battery cells increased by 183.9% from RMB137.2 million for the four months ended April 30, 2023 to RMB389.7 million for the four months ended April 30, 2024. This increase was primarily due to (i) a shift of business model of Customer A from with to without procurement of battery cells for its new projects; and (ii) an increase in demand from Customer C.

Others. Revenue from others increased by 77.8% from RMB25.2 million for the four months ended April 30, 2023 to RMB44.7 million for the four months ended April 30, 2024. This increase was primarily due to a one-off sale of materials to Customer D.

Cost of revenues

Cost of revenues increased by 90.5% from RMB431.3 million for the four months ended April 30, 2023 to RMB821.4 million for the four months ended April 30, 2024, which was in line with the increase in revenue.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased to RMB128.0 million for the four months ended April 30, 2024 from RMB74.0 million for the four months ended April 30, 2023.

FINANCIAL INFORMATION

Gross profit margin decreased from 14.7% for the four months ended April 30, 2023 to 13.5% for the four months ended April 30, 2024. This decrease was mainly due to a decrease in revenue contribution from EV buses in India as a result of government election cycle.

Selling and marketing expenses

Selling and marketing expenses increased by 27.3% from RMB20.8 million for the four months ended April 30, 2023 to RMB26.5 million for the four months ended April 30, 2024, which was in line with the increase in revenue. This increase was mainly due to (i) an increase in office fees as our sales and marketing activities increased for the expansion of our business with existing and new customers; and (ii) issuance of share-based compensation and bonuses to our selling, marketing and service staff.

Research and development expenses

Research and development expenses increased by 41.8% from RMB54.5 million for the four months ended April 30, 2023 to RMB77.3 million for the four months ended April 30, 2024. This increase was primarily attributable to (i) issuance of share-based compensation to certain EDD employees; and (ii) an increase in design and development expenses as we continued to invest in EDD activities to support the expansion of our product types.

Administrative expenses

Administrative expenses increased by 92.4% from RMB32.6 million for the four months ended April 30, 2023 to RMB62.8 million for the four months ended April 30, 2024. This increase was primarily attributable to (i) issuance of share-based compensation to certain administrative employees; and (ii) an increase in [REDACTED] expenses.

Other income

Other income decreased by 9.1% from RMB6.2 million for the four months ended April 30, 2023 to RMB5.7 million for the four months ended April 30, 2024, primarily because we obtained less government grants with the extension of certain preferential policies such as additional VAT deductions for advanced manufacturing companies.

Other gains or losses

We had net other losses of RMB3.7 million and RMB6.4 million for the four months ended April 30, 2023 and 2024, respectively. This increase in net other losses was primarily due to an increase in net foreign exchange losses in the four months ended April 30, 2024 as a result of the appreciation of value of U.S. dollars.

FINANCIAL INFORMATION

Finance (cost)/income, net

We had net finance costs of RMB1.1 million for the four months ended April 30, 2023 and net finance income of RMB0.6 million for the four months ended April 30, 2024. This change was primarily due to an increase in interest income from bank deposits, partially offset by an increase in interest expenses on lease liabilities which were mainly in relation to Hefei facility III.

Income tax benefit

We had income tax benefit of RMB3.9 million for the four months ended April 30, 2023 and 2024, respectively. This change was primarily due to the loss incurred in India in the four months ended April 30, 2024 as a result of (i) a decrease in revenue contribution from EV buses in India due to government election cycle; and (ii) an increase in expenses as we expanded into the passenger EV market in India, increased our localized manufacturing capability with the new Pune facility II and increased our local staff from 138 members as of December 31, 2023 to 176 members as of April 30, 2024.

Loss for the period

As a result of the foregoing, we recorded losses of RMB29.4 million and RMB27.1 million for the four months ended April 30, 2023 and 2024, respectively. We also recorded net loss margins of 5.8% and 2.9% for the same periods, respectively, primarily as a result of the increase in revenue.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Revenue decreased by 43.0% from RMB5,574.4 million for the year ended December 31, 2022 to RMB3,176.0 million for the year ended December 31, 2023 primarily because (i) the sales contribution from EV battery systems without procurement of battery cells increased, which were of much lower average unit price as compared to EV battery systems with procurement of battery cells; (ii) EV OEMs raised their inventory level at the end of 2022 in anticipation of increase in market demand, leading to low manufacturing activities and in turn reduced purchase orders to us in the first half of 2023; (iii) the market price of battery cells decreased in 2023 which led to the decrease in our revenue of EV battery systems with procurement of battery cells; and (iv) lower than expected end market demand during the first half of 2023 due to weak macroeconomic conditions, partially offset by the increase in sales of battery systems in India in 2023. The increase in sales of battery systems in India was primarily a result of (i) our localized manufacturing capabilities; (ii) an increase in sales to Customer D; and (iii) our development of new customers.

FINANCIAL INFORMATION

EV battery systems with procurement of battery cells. Revenue from sales of EV battery systems with procurement of battery cells decreased by 56.9% from RMB4,481.4 million for the year ended December 31, 2022 to RMB1,931.7 million for the year ended December 31, 2023. This decrease was primarily attributable to (i) a shift of business model of Customer A from with to without procurement of battery cells; and (ii) certain of our major customers, in particular Customer B and Customer C, were developing new products for larger energy capacity segments with us in the first half of 2023 and only increased their purchase orders for mass production in the third quarter of 2023, partially offset by the increase in sales in India market as aforementioned.

EV battery systems without procurement of battery cells. Revenue from sales of EV battery systems without procurement of battery cells increased by 7.6% from RMB1,066.4 million for the year ended December 31, 2022 to RMB1,147.8 million for the year ended December 31, 2023. This increase was primarily due to (i) a shift of business model of Customer A as aforementioned; and (ii) our launch of new products in the second and third quarter of 2023 targeting the A0 size segment market, which performed well in the end market.

Others. Revenue from others increased from RMB26.6 million for the year ended December 31, 2022 to RMB96.6 million for the year ended December 31, 2023. This increase was primarily due to (i) an increase in revenue from sales of materials for customers to replace or repair the components of their EV batteries; and (ii) the sales of certain EV battery system manufacturing equipment to a customer.

Cost of revenues

Cost of revenues decreased by 48.5% from RMB5,117.2 million for the year ended December 31, 2022 to RMB2,633.9 million for the year ended December 31, 2023, which was in line with the decrease in revenue. Cost of revenues as a percentage of revenue decreased from 91.8% for the year ended December 31, 2022 to 82.9% for the year ended December 31, 2023, which was primarily due to the increase in revenue contribution from sales of EV battery systems without procurement for which we did not incur cost of procuring battery cells.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased to RMB542.1 million for the year ended December 31, 2023 from RMB457.1 million for the year ended December 31, 2022.

Gross profit margin increased from 8.2% for the year ended December 31, 2022 to 17.1% for the year ended December 31, 2023. This increase was mainly due to an increase in revenue contribution from (i) sales of EV battery systems without procurement of battery cells which were of relatively higher gross profit margin because the cost of battery cells is excluded from both the revenue and cost of revenue when calculating gross profit margin of sales of EV battery systems without procurement of battery cells; and (ii) sales in India, mainly driven by pricing with higher margin as the market was underserved.

FINANCIAL INFORMATION

Selling and marketing expenses

Selling and marketing expenses decreased by 22.3% from RMB91.3 million for the year ended December 31, 2022 to RMB70.9 million for the year ended December 31, 2023, which was in line with the decrease in revenue. This decrease was mainly due to a decrease in freight expenses as a combined result of (i) the decrease in sales volume; and (ii) our localization of manufacturing capability in Liuzhou as our Liuzhou facility commenced operation in May 2022, partially offset by an increase in expenses for employees’ social insurance and housing provident funds along with our adjustment to the contribution base for relevant employees.

Research and development expenses

Research and development expenses increased by 66.1% from RMB150.6 million for the year ended December 31, 2022 to RMB250.2 million for the year ended December 31, 2023. This increase was primarily attributable to (i) our continuous and expanded investment in EDD activities to develop new products (including prototypes and tooling) and enhancing our BEST and MUST platforms (involving various EDD tests and prototypes); and (ii) issuance of share-based compensation to certain EDD employees.

Administrative expenses

Administrative expenses increased by 50.7% from RMB96.4 million for the year ended December 31, 2022 to RMB145.3 million for the year ended December 31, 2023. This increase was primarily attributable to (i) issuance of share-based compensation to certain administrative employees; (ii) an increase in professional service fee; and (iii) an increase in [REDACTED] expenses, partially offset by a decrease in tax surcharges, which was generally in line with the decrease of revenue in 2023.

Other income

Other income increased by 21.2% from RMB18.4 million for the year ended December 31, 2022 to RMB22.3 million for the year ended December 31, 2023 primarily because we obtained more government grants with the extension of certain preferential policies such as additional VAT deductions for advanced manufacturing companies.

Other gains or losses

We had net other losses of RMB17.0 million and RMB17.7 million for the year ended December 31, 2022 and 2023, respectively. This increase in net other losses was primarily due to (i) the retirement and scrapping of our certain after-sales maintenance equipment; and (ii) loss on discount of notes receivables in 2023.

FINANCIAL INFORMATION

Finance costs, net

We had net finance costs of RMB11.0 million for the year ended December 31, 2022 and net finance income of RMB0.4 million for the year ended December 31, 2023. This change was primarily due to an increase in interest income from bank deposits, partially offset by an increase in interest expenses on other non-current liabilities which were mainly in relation to our product warranties.

Income tax expense

Income tax expense increased from RMB2.4 million for the year ended December 31, 2022 to RMB12.7 million for the year ended December 31, 2023 which was primarily due to the increase in income tax expenses incurred in India following the ramp-up of our operations in the country.

Profit for the year

As a result of the foregoing, we recorded a profit of RMB108.0 million and RMB59.2 million for the years ended December 31, 2022 and 2023, respectively. Our net profit margin remained at 1.9% in 2022 and 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Revenue increased significantly by 117.2% from RMB2,566.7 million for the year ended December 31, 2021 to RMB5,574.4 million for the year ended December 31, 2022. This increase was mainly attributable to the growth in our sales of EV battery systems driven by the growth of EV market in 2022, partially offset by a decrease in sales of EV battery system engineering services.

EV battery systems with procurement of battery cells. Revenue from sales of EV battery system with procurement of battery cells increased significantly by 101.7% from RMB2,222.3 million for the year ended December 31, 2021 to RMB4,881.4 million for the year ended December 31, 2022. This increase was primarily attributable to (i) an increase in sales to Customer A and Customer B, our largest and second largest customers, subsequent to the market popularity of their EV models, including among others, the best-selling EV model in China since its launch in July 2020, according to the F&S Report; (ii) an increase in sales to India for non-passenger EVs; and (iii) our designation as a supplier of EV battery systems for cylindrical battery cells to Customer C, one of our major customers and the largest battery cell manufacturer in the world in 2023, according to the F&S Report, for its designated EV OEM customer.

FINANCIAL INFORMATION

EV battery systems without procurement of battery cells. Revenue from sales of EV battery systems without procurement of battery cells increased from RMB302.9 million for the year ended December 31, 2021 to RMB1,066.4 million for the year ended December 31, 2022 primarily because revenue generated from Customer C increased greatly as we developed more battery system products for said customer in 2022.

Others. Revenue from others decreased from RMB41.4 million for the year ended December 31, 2021 to RMB26.6 million for the year ended December 31, 2022. This decrease was primarily attributable to a decrease in revenue from energy storage solution as a result of the completion of a one-off project.

Cost of revenues

Cost of revenues increased by 119.3% from RMB2,333.6 million for the year ended December 31, 2021 to RMB5,117.2 million for the year ended December 31, 2022. This increase was primarily attributable to an increase in cost of raw materials, as we manufactured and sold a greater number of EV battery systems in 2022 and experienced an increase in the market price for battery cells during that year.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 96.1% from RMB233.1 million for the year ended December 31, 2021 to RMB457.1 million for the year ended December 31, 2022, which was in line with the increase in revenue.

Gross profit margin decreased from 9.1% for the year ended December 31, 2021 to 8.2% for the year ended December 31, 2022 mainly because raw material prices increased and accordingly, we raised the selling prices of EV battery systems in 2022.

Selling and marketing expenses

Selling and marketing expenses increased by 48.3% from RMB61.5 million for the year ended December 31, 2021 to RMB91.3 million for the year ended December 31, 2022. This increase was primarily attributable to (i) an increase in freight expenses of RMB22.4 million, which was generally in line with the increase in our sales scale; (ii) an increase in employee salaries and benefits of RMB2.9 million for our selling, marketing and service staff, which was primarily because we increased the salaries and benefits of sales, marketing and service staff in 2022; and (iii) an increase in office fees of RMB2.8 million, primarily due to the increased marketing activities in China in 2022.

Research and development expenses

Research and development expenses increased by 45.2% from RMB103.8 million for the year ended December 31, 2021 to RMB150.6 million for the year ended December 31, 2022. This increase was primarily attributable to (i) an increase in design and development expenses

FINANCIAL INFORMATION

of RMB20.6 million for the design and development of EV battery systems to meet the requirements of new EV models of our customers, which led to an increase in prototyping and experimenting activities; (ii) continued investment in our BEST and MUST platforms to increase the competitive advantage of our products; and (iii) an expansion of our EDD team from 179 employees as of December 31, 2021 to 267 employees as of December 31, 2022 and increase in employee salaries and benefits expenses of RMB19.3 million, primarily due to the increases in the number and salary and benefit level of our research and development staff.

Administrative expenses

Administrative expenses increased by 9.2% from RMB88.3 million for the year ended December 31, 2021 to RMB96.4 million for the year ended December 31, 2022. This increase was primarily attributable to (i) an increase in tax surcharges of RMB11.0 million, which was generally in line with the increase of revenue in 2022; and (ii) an increase in [REDACTED] expenses of RMB8.2 million in relation to the [REDACTED].

Other income

Other income increased by 131.0% from RMB8.0 million for the year ended December 31, 2021 to RMB18.4 million for the year ended December 31, 2022. This increase was due to the increase in government grants in 2022 for our EDD activities and manufacturing developments, and incentive rewards to hire new EDD personnel.

Other gains or losses

We recorded net other gains of RMB1.1 million in 2021 and net other losses of RMB17.0 million in 2022. This change was primarily due to (i) an increase in net foreign exchange losses in 2022 as a result of the appreciation of value of U.S. dollars; and (ii) an increase in loss on discount of notes receivables in 2022.

Finance costs, net

Net finance costs decreased from RMB43.4 million in 2021 to RMB11.0 million in 2022. This decrease was primarily due to the decrease in interest expenses on borrowings.

Income tax expense

We had income tax expense of RMB1.0 million and RMB2.4 million for the years ended December 31, 2021 and 2022, respectively.

Profit/(loss) for the year

As a result of the foregoing, we recorded a profit for the year of RMB108.0 million in 2022 and a loss for the year of RMB65.9 million in 2021. We recorded a net profit margin of 1.9% in 2022 as compared to a net loss margin of 2.6% in 2021, primarily as a result of the increase in revenue.

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED CONSOLIDATED BALANCE SHEETS LINE ITEMS

The following table sets forth our selected consolidated balance sheets line items as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS				
Non-current assets				
Property, plant and equipment, net	129,598	171,690	281,864	311,677
Right-of-use assets	31,774	38,257	32,376	90,979
Intangible assets	7,306	6,091	11,061	11,976
Deferred tax assets	–	–	15,038	20,096
Other non-current assets	11,084	22,405	38,392	48,166
Total non-current assets	179,762	238,443	378,731	482,894
Current assets				
Inventories	241,053	565,091	645,543	543,490
Prepayments, deposits and other current assets	32,967	31,988	101,884	115,272
Trade receivables	140,254	982,281	713,614	464,618
Amounts due from related parties	218,825	77,220	40,208	134,137
Financial assets at fair value through other comprehensive income	511,551	540,264	271,026	356,226
Short-term investments	3,210	515,182	642,998	455,923
Restricted cash	89,273	104,615	98,811	119,294
Contract assets	–	–	7,189	8,695
Cash and cash equivalents	460,787	450,578	450,173	433,037
Total current assets	1,697,920	3,267,219	2,971,446	2,630,692
Total assets	1,877,682	3,505,662	3,350,177	3,113,586

FINANCIAL INFORMATION

	As of December 31,			As of
	2021	2022	2023	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY				
Share capital and share premium	2,249,033	2,270,516	2,246,864	2,246,864
Other reserves	98,420	150,870	212,511	238,893
Accumulated losses	(2,094,655)	(1,994,022)	(1,940,776)	(1,969,893)
Equity attributable to owners of the company	252,798	427,364	518,599	515,864
Non-controlling interests	(13,240)	18,191	23,705	26,268
Total equity	<u>239,558</u>	<u>445,555</u>	<u>542,304</u>	<u>542,132</u>
LIABILITIES				
Non-current liabilities				
Borrowings	8,329	3,452	12,157	7,074
Lease liabilities	19,655	24,458	23,036	49,162
Deferred government grants	9,293	7,588	6,990	6,393
Other non-current liabilities	91,615	159,881	162,842	175,219
Total non-current liabilities	<u>128,892</u>	<u>195,379</u>	<u>205,025</u>	<u>237,848</u>
Current liabilities				
Trade and other payables	1,387,815	2,590,717	2,274,902	1,972,998
Amounts due to related parties	200	3,969	1,147	1,151
Contract liabilities	41,090	58,070	28,977	27,965
Current tax liabilities	964	1,477	18,579	4,740
Borrowings	62,215	189,415	258,934	262,189
Lease liabilities	13,088	17,220	16,449	60,703
Deferred government grants	3,860	3,860	3,860	3,860
Total current liabilities	<u>1,509,232</u>	<u>2,864,728</u>	<u>2,602,848</u>	<u>2,333,606</u>
Total liabilities	<u>1,638,124</u>	<u>3,060,107</u>	<u>2,807,873</u>	<u>2,571,454</u>
Total equity and liabilities	<u>1,877,682</u>	<u>3,505,662</u>	<u>3,350,177</u>	<u>3,113,586</u>

FINANCIAL INFORMATION

Property, Plant and Equipment

Property, plant and equipment consist of (i) furniture, fittings, and equipment; (ii) machinery and vehicles; (iii) construction in progress; and (iv) leasehold improvements. Property, plant and equipment increased from RMB129.6 million as of December 31, 2021 to RMB171.7 million as of December 31, 2022, which was primarily due to an increase in our construction in progress and leasehold improvements for our manufacturing facilities in Liuzhou and Hefei. Property, plant and equipment increased from RMB171.7 million as of December 31, 2022 to RMB281.9 million as of December 31, 2023 and increased to RMB311.7 million as of April 30, 2024, which was primarily due to the increase in machinery and vehicles as we purchased new equipment in order to further expand our manufacturing capacity in 2023 and the four months ended April 30, 2024.

Right-of-use Assets

Right-of-use assets primarily consist of properties leased for own use carried at cost. Right-of-use assets increased from RMB31.8 million as of December 31, 2021 to RMB38.3 million as of December 31, 2022, which was primarily due to our newly leased manufacturing facilities in Hefei, Liuzhou and India in 2022, partially offset by the amortization charge of such right-of-use assets. Right-of-use assets decreased from RMB38.3 million as of December 31, 2022 to RMB32.4 million as of December 31, 2023, which was primarily due to the normal amortization of the right-of-use assets, partially offset by our new leases. Right-of-use assets increased from RMB32.4 million as of December 31, 2023 to RMB91.0 million as of April 30, 2024 because we leased new manufacturing facilities in Hefei in 2024.

Intangible Assets

Intangible assets represent our computer software for office and EDD use purpose. We had intangible assets of RMB7.3 million, RMB6.1 million, RMB11.1 million and RMB12.0 million as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively. Our intangible assets increased from RMB6.1 million as of December 31, 2022 to RMB12.0 million as of April 30, 2024 as we purchased more licensed software in 2023 and the four months ended April 30, 2024.

Other Non-current Assets

We had other non-current assets of RMB11.1 million, RMB22.4 million, RMB38.4 million and RMB48.2 million as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively. Our other non-current assets primarily include prepayments for long term assets, deferred [REDACTED] expenses and long term deposits. Our other non-current assets increased from RMB11.1 million as of December 31, 2021 to RMB22.4 million as of December 31, 2022, which was primarily due to (i) an increase in [REDACTED] expenses; and (ii) an increase in prepayments for long term assets primarily in relation to manufacturing equipment for our new manufacturing facility in Liuzhou. Other non-current assets increased from RMB22.4 million as of December 31, 2022 to RMB38.4 million as of December 31, 2023,

FINANCIAL INFORMATION

which was primarily due to the capitalization of [REDACTED] expenses. Other non-current assets increased from RMB38.4 million as of December 31, 2023 to RMB48.2 million as of April 30, 2024, which was primarily due to an increase in prepayments for long term assets primarily in relation to manufacturing equipment for our new manufacturing facility in India.

Inventories

Inventories consist of raw materials, work in progress, finished goods and contract costs. Inventories increased from RMB241.1 million as of December 31, 2021 to RMB565.1 million as of December 31, 2022, primarily as a result of (i) an increase in finished goods as we enhanced our manufacturing capacity and volume in 2021 (particularly in the fourth quarter) to meet the increasing market demand; and (ii) an increase in raw materials because we prepared more raw materials in stock in order to respond to the market demand and customer orders in a timely manner. Inventories remained relatively stable at RMB565.1 million as of December 31, 2022 and RMB645.5 million as of December 31, 2023. Inventories decreased from RMB645.5 million as of December 31, 2023 to RMB543.5 million as of April 30, 2024, which was primarily because the revenue contribution from battery assembly partnerships increased which did not involve the procurement of raw materials.

The following table sets forth the breakdown of our inventories as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2024</i>
Raw materials	183,954	344,784	528,457	457,490
Work in progress	2,315	3,951	1,542	1,739
Finished goods	76,713	237,396	187,100	153,881
Contract costs	525	16,119	1,013	3,038
Sub-total	263,507	602,250	718,112	616,148
Less: provision for inventories	(22,454)	(37,159)	(72,569)	(72,658)
Total	<u>241,053</u>	<u>565,091</u>	<u>645,543</u>	<u>543,490</u>

FINANCIAL INFORMATION

The following table sets forth an aging analysis of our inventories based on recognition date as of the dates indicated:

	As of December 31,			As of April 30,
	2021	2022	2023	2024
	<i>RMB'000</i>			
Within one month	125,257	233,951	365,488	223,529
One month to two months	50,949	166,370	96,601	63,990
Two months to six months	46,505	113,644	53,895	147,557
Six months to one year	15,131	37,518	73,372	42,030
Over one year	25,665	50,767	128,756	139,042
Total	263,507	602,250	718,112	616,148

As of December 31, 2023, the inventories that aged over one year amounted to RMB128.8 million, representing 17.9% of total inventories. The increase in inventories aged over one year from 2022 to 2023 was because of relatively low utilization of our inventories under the lower than expected end market demand during the first half of 2023 due to weak macroeconomic conditions. The decrease in inventories aged within one months and increase in inventories aged between two months to six months was primarily due to (i) a relatively low utilization of our inventories because of the decrease in revenue contribution from EV buses in India as a result of government election cycle and (ii) product modification requests from our customers which resulted in a relatively longer age of inventory.

Provision for inventories was recognized for the amount by which the carrying amount of the inventories exceeds its net realizable value and was recorded in “cost of revenues.” Provision for inventories increased from RMB22.5 million as of December 31, 2021 to RMB37.2 million as of December 31, 2022, mainly because certain projects did not achieve our expected sales performance which led to the write-down of relevant raw materials and finished goods. Provision for inventories increased from RMB37.2 million as of December 31, 2022 to RMB72.6 million as of December 31, 2023 mainly because of relatively low utilization of our inventories under the lower than expected end market demand during the first half of 2023 due to weak macroeconomic conditions.

FINANCIAL INFORMATION

The following table sets forth the average inventory turnover days for the periods indicated:

	Year ended December 31,			Four months ended April 30,
	2021	2022	2023	2024
	Average inventory turnover days ⁽¹⁾	44.0	30.9	91.5

Note:

- (1) Average inventory turnover days for a period equals the average of the gross value of the opening and closing inventories balance divided by cost of revenues for the relevant period and then multiplied by the number of days in the relevant period.

Our inventory turnover days decreased from 44.0 days in 2021 to 30.9 days in 2022, which was primarily due to the accelerated utilization of raw materials and finished goods along with the increase in our production and sales volume. Inventory turnover days increased from 30.9 days in 2022 to 91.5 days in 2023, which was primarily because we stocked more raw materials in order to fulfill the expected increase in market demand in 2024 despite of the decrease in revenue in 2023. Our inventory turnover days increased from 91.5 days in 2023 to 98.8 days in the four months ended April 30, 2024, which was primarily because we increased procurement of raw materials in April 2024 due to expected expanded manufacturing plans for the second quarter of 2024.

As of June 30, 2024, RMB408.4 million or 66.1% of our inventories as of April 30, 2024 had been sold or utilized.

Prepayments, Deposits and Other Current Assets

Prepayments, deposits and other current assets primarily consist of (i) prepayments to suppliers, mainly for purchase of raw materials such as battery cells and ICs; (ii) deductible value-added tax input, primarily representing value-added tax to be deducted due to the increased purchase of raw materials and manufacturing equipment; (iii) deposits, primarily for purchase of raw materials; (iv) advance to employees, mainly for business travel or other business development activities; (v) product warranty claims receivables from suppliers, primarily in relation to damages to be paid by our suppliers for products with quality issues; and (vi) others, mainly including compensation receivables from suppliers in relation to product quality claims, advances to employees and receivables from a holder of Series E preferred shares.

FINANCIAL INFORMATION

The following table sets forth the breakdown of our prepayments, deposits and other current assets as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
				<i>RMB'000</i>
Prepayments to suppliers	28,300	14,024	39,400	36,645
Deductible value-added tax input	3,000	9,210	10,661	21,324
Deposits	1,083	7,599	12,603	9,924
Prepaid income tax	–	–	–	3,518
Purchase rebate receivables from supplier	–	–	35,749	37,956
Advance to employees	20	110	225	186
Product warranty claims receivables from suppliers	–	–	7,198	7,157
Others	1,871	2,352	465	3,435
	34,274	33,295	106,301	120,145
Less: allowance for impairment	(1,307)	(1,307)	(4,417)	(4,873)
Total	32,967	31,988	101,884	115,272

Prepayments, deposits and other current assets decreased from RMB33.0 million as of December 31, 2021 to RMB32.0 million as of December 31, 2022, which was primarily due to a decrease in prepayments to suppliers for purchase of raw materials such as battery cells and ICs, partially offset by (i) an increase in deposits which were mainly in relation to guarantee deposits to our supplier; and (ii) an increase in deductible value-added tax input due to the increase in purchase of raw materials and manufacturing equipment. Prepayments, deposits and other current assets increased from RMB32.0 million as of December 31, 2022 to RMB101.9 million as of December 31, 2023, which was primarily due to (i) purchase rebate receivables from supplier which were in relation to the credit note issued by one of our major battery cell suppliers, Supplier F, to our Indian subsidiary in order to adjust the price of battery cells through our payment to Supplier F as agreed with them; (ii) an increase in prepayments to suppliers; (iii) an increase in deposits, which was attributable to the increase in the rental deposits for our leased facilities in India; and (iv) an increase in product warranty claims receivables from suppliers. Prepayments, deposits and other current assets remained relatively stable at RMB101.9 million as of December 31, 2023 and RMB115.3 million as of April 30, 2024.

FINANCIAL INFORMATION

Trade Receivables

Trade receivables are amount due from customers for products sold or services performed in the ordinary course of business. During the Track Record Period, our trade receivables were primarily in relation to our sales of EV battery systems to third party customers. Trade receivables increased from RMB140.3 million as of December 31, 2021 to RMB982.3 million as of December 31, 2022, which was generally in line with the growth of our sales and business expansion and primarily because (i) we ceased the factoring arrangements we entered into with respect to trade receivables from Customer C, one of our major customers, in 2022 as our liquidity position improved; and (ii) of an increase in revenue. Trade receivables decreased from RMB982.3 million as of December 31, 2022 to RMB713.6 million as of December 31, 2023, which was in line with the decrease in our revenue and also affected by the increase in sales contribution from EV battery systems without procurement of battery cells. Trade receivables decreased from RMB713.6 million as of December 31, 2023 to RMB464.6 million as of April 30, 2024, which was primarily due to the settlement of relatively large amount of trade receivables during the four months ended April 30, 2024. We generally enter into factoring arrangements with respect to trade receivables to supplement our working capital when necessary. As such, an increase in trade receivables does not have a material adverse impact on our working capital and financial performance. For further details of the impact of trade receivables on our working capital, see the section headed “— Liquidity and Capital Resources” below.

We generally settle trade receivables with customers within 30 to 90 days of the invoice date. For certain customers with relatively less years of business relationship with us, we generally request payment before the delivery of products.

We apply the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. We overall consider the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses. For further details, see Note 24 to the Accountant’s Report included in Appendix I to this document.

The following table sets forth our trade receivables and allowance for impairment amounts as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	April 30,
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade receivables due from contracts with customers	195,921	1,037,174	769,436	519,068
Less: allowance for impairment	(55,667)	(54,893)	(55,822)	(54,450)
	140,254	982,281	713,614	464,618

FINANCIAL INFORMATION

We seek to maintain strict control over our outstanding trade receivables. Overdue balances are reviewed regularly by our senior management. The following table sets forth an aging analysis of our trade receivables based on the invoice date and before allowance for impairment, as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within three months	141,168	956,969	646,533	341,239
Three months to six months	–	20,639	48,223	74,674
Six months to nine month	1,672	11,637	22,576	34,214
Nine months to one year	–	819	5,892	27,069
Over one year	53,081	47,110	46,212	41,872
Total	195,921	1,037,174	769,436	519,068

Trade receivables aged over one year amounted to RMB53.1 million, RMB47.1 million, RMB46.2 million and RMB41.9 million as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively, which accounted for 27.1%, 4.5%, 6.0% and 8.1% of our trade receivables before allowance for impairment as of the respective dates. Such trade receivables aged over one year were mainly in relation to certain customers of our EV battery systems which either had financial or operating difficulties or had been dissolved. We have made full provision with respect to trade receivables aged over one year. We had filed lawsuits against three of such customers and all of such lawsuits had been ruled by the court in our favor as of the Latest Practicable Date.

Save for the aforementioned lawsuits, as of the Latest Practicable Date, there were no material disputes between us and customers with respect to outstanding trade receivables. Our Directors consider that there is no material recoverability issue with respect to trade receivables (to the extent no provision has been made) by taking into account our historical credit loss experience, historical transaction experience with relevant customers, their financial position and our close follow up with such customers on the collection of trade receivables.

FINANCIAL INFORMATION

The following table sets forth our average trade receivables turnover days as of the dates indicated:

	Year ended December 31,			Four months ended
	2021	2022	2023	April 30, 2024
Average trade receivables turnover days ⁽¹⁾	55.1	53.7	109.5	93.9

Note:

- (1) Average trade receivables turnover days for the period indicated are derived by dividing the arithmetic mean of the opening and closing balances of trade receivables by revenue for the relevant period and then multiplied by the number of days in that period.

Average trade receivables turnover days indicates the time required for us to collect cash payments from the sales of goods or provision of services. Our average trade receivables turnover days remained relatively stable at 55.1 days and 53.7 days in 2021 and 2022, respectively. Average trade receivables turnover days increased from 53.7 days in 2022 to 109.5 days in 2023, which was primarily due to the impact of seasonality, reflecting a higher closing balance of trade receivables for 2023 which represented our recovering sales performance in the fourth quarter of 2023, coupled with the decrease in revenue in 2023. Average trade receivables turnover days decreased from 109.5 days in 2023 to 93.9 days in the four months ended April 30, 2024, which was primarily due to the relatively low closing balance of our trade receivables as of April 30, 2024 as a result of collection.

As of June 30, 2024, RMB267.3 million or 40.8% of our trade receivables outstanding as of April 30, 2024 had been subsequently settled or utilized.

FINANCIAL INFORMATION

Amounts Due from Related Parties

Our amounts due from related parties include (i) trade receivables due from a related party (trade in nature) which is one of our major customers, namely Customer B for sales of EV battery systems; (ii) prepayments, deposits and other current assets (trade in nature), mainly in relation to prepayments to Customer B one of our major customers for purchase of goods and miscellaneous services and deposits for certain leased manufacturing facilities; and (iii) subscription receivables for Series E preferred shares due from the investors (non-trade in nature), representing the considerations shall be paid by Mahayana and Dr. Zhou to us for their subscribed Series E preferred shares. The following table sets forth the breakdown of amounts due from related parties as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2024</i>
Trade receivables due from a related party (trade in nature)	198,142	54,608	39,707	133,636
Prepayments, deposits and other current assets (trade in nature)	250	306	501	501
Subscription receivables for Series E preferred shares due from the investors (non-trade in nature)	20,433	22,306	–	–
Total	218,835	77,220	40,208	134,137

For further details, see Note 42 to the Accountant’s Report included in Appendix I to this document. Trade receivables due from a related party (trade in nature) significantly decreased from RMB198.1 million as of December 31, 2021 to RMB54.6 million as of December 31, 2022, which was primarily due to our accelerated settlement with this customer in 2022, particularly in the fourth quarter of 2022. Trade receivables due from a related party (trade in nature) decreased from RMB54.6 million as of December 31, 2022 to RMB39.7 million as of December 31, 2023, which was in line with the decrease in revenue generated from this customer in 2023. Trade receivables due from a related party (trade in nature) increased from RMB39.7 million as of December 31, 2023 to RMB133.6 million as of April 30, 2024, which was primarily due to delayed annual price negotiation with Customer B.

Subscription receivables for Series E preferred shares due from the investors (non-trade in nature) increased from RMB20.4 million as of December 31, 2021 to RMB22.3 million as of December 31, 2022 primarily due to the appreciation of U.S. dollar in 2022. Subscription receivables for Series E preferred shares due from the investors (non-trade in nature) amounted to RMB22.3 million as of December 31, 2022 and decreased to nil as of December 31, 2023 as a result of our settlement of the relevant receivables with Mahayana and Dr. Zhou in 2023.

FINANCIAL INFORMATION

Financial Assets at Fair Value through Other Comprehensive Income

As of December 31, 2021, 2022 and 2023 and April 30, 2024, we had financial assets at fair value through other comprehensive income (“FVOCI”) of RMB511.6 million, RMB540.3 million, RMB271.0 million and RMB356.2 million, respectively, including (i) notes receivables of RMB360.4 million, RMB540.3 million, RMB271.0 million and RMB356.2 million, respectively, which were due from customers arising from ordinary course of business; and (ii) accounts receivable factoring of RMB151.1 million, nil, nil and nil, respectively, mainly in relation to our factoring arrangements in 2021 with respect to trade receivables from Customer C, one of our major customers.

Notes receivables from customers generally increased during the Track Record Period, which was in line with the increase in revenue.

As of December 31, 2021, 2022 and 2023 and April 30, 2024, we had notes receivables with a book value of RMB250.0 million, RMB135.6 million, RMB125.9 million and RMB153.5 million, respectively, which were pledged to banks as a guarantee for us to obtain notes payables.

Short-term Investment

As of December 31, 2021, 2022 and 2023 and April 30, 2024, we had RMB3.2 million, RMB515.2 million, RMB643.0 million and RMB455.9 million of short-term investment, respectively, representing, as of the same dates, (i) RMB3.2 million, RMB515.2 million, RMB542.7 million and RMB390.5 million, respectively, of time deposits with a fixed interest rate placed with banks with original maturities between three months and one year; and (ii) nil, nil, RMB100.3 million and RMB65.4 million, respectively, of bank wealth management products with a variable interest rate indexed to the performance of underlying assets, namely gold and spot exchange rates, within one year measured at fair value. The expected annual returns (based on median rates) generated from these bank wealth management products were nil, RMB0.5 million, RMB2.7 million and RMB0.7 million in 2021, 2022 and 2023 and the four months ended April 30, 2024, respectively, and the actual annual returns for the same periods were nil, RMB0.5 million, RMB2.7 million and RMB0.7 million, respectively.

We have established a set of internal control policies and measures to safeguard our exposure to investment risks when purchasing financial products. We generally consider investing in financial products when we have surplus cash in certain of our regional bank accounts that is not, in the short term, required for any of our working capital purposes so as to gain higher investment returns on our excess cash than regular bank deposits. We take into account factors such as investment target, investment term, investment amount, expected return rate, source of capital and relevant risk analysis with respect to our investment decisions and compile investment proposal. Any external investment exceeding US\$0.2 million shall be reviewed and approved by the Board. Our finance department is responsible for compiling and

FINANCIAL INFORMATION

conducting annual investment plans, ensuring that the relevant financial products are properly recorded in our financial statements and monitoring the performance of such financial products, and any significant or adverse fluctuation shall be reported to our management in a timely manner.

After the [REDACTED], we will strictly comply with requirements under Chapter 14 of the Listing Rules and our internal policies when making investment in financial products.

Trade and Other Payables

As of December 31, 2021, 2022 and 2023 and April 30, 2024, we had trade and other payables of RMB1,387.8 million, RMB2,590.7 million, RMB2,275.0 million and RMB1,973.0 million, respectively. Trade and other payables include (i) trade payables, generally in relation to the purchase of raw materials such as battery cells, electronic components and modules from suppliers; (ii) notes payables; (iii) payables to the non-controlling shareholders of SinoEV Changzhou; (iv) salaries and welfare payables; (v) payables to uncontactable third-party payers; (vi) payables in relation to product warranty and customer service actions due within one year; (vii) government grants payables, primarily in connection with certain government subsidies we received in 2016 which were with conditions; (viii) provision for potential dispute; (ix) accrued expenses, mainly representing utility fees, freight expenses and labor outsourcing expenses; (x) payables for purchase of property, plant and equipment; (xi) tax payables; (xii) payables for R&D and marketing services; and (xiii) others, primarily including payables to our staff derived from certain government subsidies received by us. The following table sets forth the breakdown of our trade and other payables as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	April 30, 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	771,501	1,633,802	1,353,128	1,146,334
Notes payables	290,519	662,781	512,226	472,304
Payables to the non-controlling shareholders of SinoEV Changzhou ⁽¹⁾	74,950	–	–	–
Salaries and welfare payables	31,317	44,691	50,061	29,011
Payables to uncontactable third-party payers ⁽²⁾	21,109	23,060	23,444	23,522
Product warranty and customer service actions	22,385	28,481	66,485	53,022
Government grants payables ⁽³⁾	18,360	18,360	18,915	19,126
Provision for potential dispute	66,067	66,811	67,602	67,886

FINANCIAL INFORMATION

	As of December 31,			As of
	2021	2022	2023	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accrued expenses	30,983	31,785	37,432	37,964
Payables for purchase of property, plant and equipment	17,364	30,098	79,076	74,513
Tax payables	10,037	21,323	22,733	8,274
Payables for R&D and marketing services	20,505	15,745	26,823	20,439
Others	12,718	13,780	16,977	20,603
Total	1,387,815	2,590,717	2,274,902	1,972,998

Notes:

- (1) In April 2019, our Company entered into share transfer agreements with the minority shareholders of SinoEV Changzhou to buy out 33.37% equity interests they held with total considerations of RMB87.5 million. The transaction was consummated on July 12, 2019 and our Company holds 100% equity interests of SinoEV Changzhou thereafter. RMB75.0 million of the consideration were outstanding as of December 31, 2021. As of December 31, 2022, all of the outstanding consideration had been fully paid and settled by our Company.
- (2) In connection with the issuance of Series E preferred shares, certain Series E investors selected to settle the subscription consideration through certain third party payers. Given there were US\$3.3 million payments made in June 2019 that no definitive evidence was available to substantiate such amount was paid on behalf of Series E investors, nor have we been able to get into contact with these third-party payers, we recognized the receiving amount of US\$3.3 million, equivalent to RMB21.1 million, RMB23.1 million, RMB23.4 million and RMB23.5 million as a payable in place of an equity, as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively.
- (3) In December 2016, one of our subsidiaries, Octillion Hefei, received government grants of RMB14.5 million from the local government to develop high-performance EV batteries. The government grants were free of interest if Octillion Hefei could pass the evaluation of the local government before September 30, 2018. If Octillion Hefei failed to pass the evaluation, it should return the government grants to the local government along with the associated interest for the period of utilizing the fund. Octillion Hefei did not pass the evaluation for the development of high-performance EV batteries before September 30, 2018 and did not yet return the fund to the local government. As a result, we classified such government grants along with its associated interest to trade and other payables after September 30, 2018.

In April 2016, Shanghai Taishan commenced an arbitration proceeding against SinoEV Changzhou, Dr. Zhou and our Company to claim its right to invest in SinoEV Changzhou for 31.11% of its outstanding ordinary shares in connection with an investment agreement entered into among SinoEV Changzhou, Dr. Zhou, Shanghai Taishan and our Company in 2015. On August 27, 2018, the arbitration tribunal declined Shanghai Taishan’s claim on the basis that the requisite board approval and other consents for the issuance of the shares by SinoEV Changzhou had not been obtained. However, the arbitral tribunal held that the investment

FINANCIAL INFORMATION

agreement had become effective and that SinoEV Changzhou, Dr. Zhou and our Company had breached the obligations under the investment agreement. Shanghai Taishan may commence another arbitration, lawsuit or other proceeding against SinoEV Changzhou, Dr. Zhou or our Company for other remedies, including damages or specific performance, based on the investment agreement. Since the grant of the arbitration award in August 2018, Shanghai Taishan issued several legal letters to us and Dr. Zhou to ask for remedies, but as of the Latest Practicable Date, Shanghai Taishan had never commenced any other arbitration or litigation against us or Dr. Zhou in relation thereto. The outcome of any legal proceeding, including potential further actions by Shanghai Taishan, is uncertain. Even if our Company successfully defend ourselves, we may incur substantial costs, time and efforts to defend against any legal action. As of December 31, 2021, 2022 and 2023 and April 30, 2024, we have recorded a provision balance for potential claim of RMB66.1 million, RMB66.8 million, RMB67.6 million and RMB67.9 million, respectively, based on a weighted average of various possible outcomes in accordance with relevant facts and circumstances and the terms of the investment agreement. Meanwhile, Dr. Zhou has agreed to indemnify our Group for losses arising from this potential dispute, which shall be conditional on and take effect immediately upon the [REDACTED]. For further details, see the section headed “History — Deregistration of Subsidiaries — (i) Deregistration fo SinoEV Changzhou.”

Trade payables

Our trade payables are primarily in relation to the purchase of raw materials such as battery cells, electronic components and modules from our suppliers. The credit term of trade payables granted to us by our suppliers are usually 60 to 120 days.

Trade payables increased from RMB771.5 million as of December 31, 2021 to RMB1,633.8 million as of December 31, 2022, which was primarily due to the increase in our purchase of raw materials to meet the demand for our EV battery systems from customers, which was in line with our sales growth and business expansion. Trade payables decreased from RMB1,633.8 million as of December 31, 2022 to RMB1,353.1 million as of December 31, 2023, which was in line with the decrease in our purchase of raw materials in 2023. Trade payables decreased from RMB1,353.1 million as of December 31, 2023 to RMB1,146.3 million as of April 30, 2024, which was primarily due to an increase in revenue contribution from battery assembly partnerships which did not involve purchase of raw materials.

FINANCIAL INFORMATION

The following table sets forth an aging analysis of our trade payables based on the invoice date as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
Within three months	663,750	1,402,254	1,205,233	711,567
Three to six months	94,179	200,618	97,856	298,035
Six to nine months	4,320	1,666	5,149	62,048
Nine to 12 months	102	16,462	384	27,910
Over one year	9,150	12,802	44,506	46,774
Total	<u>771,501</u>	<u>1,633,802</u>	<u>1,353,128</u>	<u>1,146,334</u>

The following table sets forth our average trade payables turnover days as of the dates indicated:

	Year ended December 31,			Four
	2021	2022	2023	months
	<u>2021</u>	<u>2022</u>	<u>2023</u>	ended
Average trade payables turnover days ⁽¹⁾	97.2	85.8	207.0	April 30, 2024

Note:

- (1) Average trade payables turnover days for a certain period is derived by dividing the arithmetic mean of the opening and closing balances of trade payables by cost of revenues for the relevant period and then multiplied by the number of days in the relevant period.

Average trade payables turnover days indicate the time we take to make cash payments to the other parties. Our average trade payables turnover days decreased from 97.2 days in 2021 to 85.8 days in 2022, which was primarily due to the increase in our sales of EV battery systems which generated sufficient cash inflows for us to accelerate settlement with suppliers. Average trade payables turnover days increased from 85.8 days in 2022 to 207.0 days in 2023, which was primarily a combined result of the impact of seasonality, reflecting a higher closing balance of trade payables for 2023 which represented the recovering market demand in the fourth quarter of 2023 and subsequently, the increase in our procurement of raw materials as well as the decrease in procurement of battery cells which were of relatively shorter credit period granted by our suppliers in 2023, coupled with the decrease in cost of revenue in 2023.

FINANCIAL INFORMATION

Average trade payables turnover days decreased from 207.0 days in 2023 to 185.1 days in the four months ended April 30, 2024, which was primarily due to the relatively lower closing balance of trade payables as of April 30, 2024. During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we did not breach any payment terms with respect to our trade payables.

As of June 30, 2024, RMB365.0 million, or 29.0% of our trade payables outstanding as of April 30, 2024, had been subsequently settled.

Notes payables

Our notes payables are denominated in RMB and are paid and/or payable to third parties for settlement of trade payables. As of December 31, 2021, 2022 and 2023 and April 30, 2024, all notes payables were acceptance bills with the maturities less than six months from the end of each year ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024. Notes payables increased from RMB290.5 million as of December 31, 2021 to RMB662.8 million as of December 31, 2022 along with the growth of our business. Notes payables decreased from RMB662.8 million as of December 31, 2022 to RMB512.2 million as of December 31, 2023, which was in line with our decrease in revenue. Notes payables decreased from RMB512.2 million as of December 31, 2023 to RMB472.3 million as of April 30, 2024, which was primarily due to an increase in revenue contribution from battery assembly partnerships which did not involve purchase of raw materials.

Contract Liabilities

A contract liability is recorded when our obligation to transfer goods to a customer had not yet occurred but for which we have received consideration from the customer. As of December 31, 2021, 2022 and 2023 and April 30, 2024, we had contract liabilities of RMB41.1 million, RMB58.1 million, RMB29.0 million and RMB28.0 million, respectively. Our contract liabilities increased from RMB41.1 million as of December 31, 2021 to RMB58.1 million as of December 31, 2022, which was primarily due to the increase in prepayments from certain major customers for our EV battery systems, namely Customer E and a customer in the United States. Contract liabilities decreased from RMB58.1 million as of December 31, 2022 to RMB29.0 million as of December 31, 2023 as mainly affected by the completion of a production line project with prepayments from the customer. Contract liabilities remained relatively stable at RMB29.0 million as of December 31, 2023 and RMB28.0 million as of April 30, 2024.

As of June 30, 2024, RMB0.9 million, or 3.1% of our contract liabilities as of April 30, 2024 had been subsequently recognized as revenue.

FINANCIAL INFORMATION

Other Non-current Liabilities

Other non-current liabilities are primarily in relation to (i) our product warranties and customer service actions; and (ii) deposit payables. Other non-current liabilities increased from RMB91.6 million as of December 31, 2021 to RMB159.9 million as of December 31, 2022. Other non-current liabilities remained relatively stable at RMB159.9 million as of December 31, 2022 and RMB162.8 million as of December 31, 2023. Other non-current liabilities increased from RMB162.8 million as of December 31, 2023 to RMB175.2 million as of April 30, 2024, which was primarily due to an increase in product warranties and customer service actions.

Accumulated Loss

We had accumulated loss of RMB2,094.7 million, RMB1,994.0 million, RMB1,940.8 million and RMB1,969.9 million as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively. Our accumulated loss was a result of our accumulated loss in and prior to 2021 when we were at a preliminary stage of our business and had a relatively smaller scale of manufacturing while relatively higher amount of investment in research and development.

INDEBTEDNESS

During the Track Record Period, our indebtedness mainly consisted of borrowings and lease liabilities. As of December 31, 2021, 2022 and 2023, April 30 and June 30, 2024, our total borrowings amounted to RMB70.5 million, RMB192.9 million, RMB271.1 million, RMB269.3 million and RMB315.5 million, respectively. For the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, the weighted average interest rate of such borrowings was 32.18%, 4.82%, 5.23% and 5.07%, respectively. The weighted average interest rate was high in 2021, which was primarily due to the entrusted loan arrangements among Mahayana, Ease Fortune and us. For further details, see the section headed “— Borrowings — Entrusted loan” below. As of the same dates, we had lease liabilities of RMB32.7 million, RMB41.7 million, RMB39.5 million, RMB109.9 million and RMB90.7 million, respectively.

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of	As of
	2021	2022	2023	April 30, 2024	June 30, 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
Borrowings					
Non-current borrowings	8,329	3,452	12,157	7,074	2,831
Current borrowings	62,215	189,415	258,934	262,189	312,715
Total borrowings	70,544	192,867	271,091	269,263	315,546

FINANCIAL INFORMATION

	As of December 31,			As of	As of
	2021	2022	2023	April 30,	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities					<i>(unaudited)</i>
Non-current lease liabilities	19,655	24,458	23,036	49,162	42,603
Current lease liabilities	13,088	17,220	16,449	60,703	48,058
Total lease liabilities	<u>32,743</u>	<u>41,678</u>	<u>39,485</u>	<u>109,865</u>	<u>90,661</u>
Total indebtedness	<u>103,287</u>	<u>234,545</u>	<u>310,576</u>	<u>379,128</u>	<u>406,207</u>

The agreements for our bank borrowings contain certain customary financial and other covenants, such as restrictions on merger, restructuring, material asset or equity transfer, liquidation, reduction of registered capital and further incurrence of indebtedness. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing. Certain of our banking facilities may also contain cross default provisions. For further details, see the section headed “Risk Factors — Risks Related to Our Business and Industry — The agreements governing our indebtedness place restrictions on us and other subsidiaries, reducing operational flexibility and creating default risks.” However, our Directors do not expect that such restrictive covenants would materially restrict our current business plans. During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we did not have any material defaults in payment of our trade and non-trade payables and borrowings, and/or breaches of covenants, repayment obligations or other terms under any bank loans or other borrowings. Except as disclosed herein, we did not have any banking facilities (utilized or not), outstanding loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans, or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities or any covenant in connection therewith as of June 30, 2024, being the latest practicable date for the purpose of the indebtedness statement. Our Directors have confirmed that there had not been any material change in the indebtedness and contingent liabilities of our Group and we did not have concrete and material external financing plans outside our ordinary course of business since the latest date for liquidity disclosure and up to the Latest Practicable Date. Our Directors further confirm we did not experience any difficulty in obtaining bank loans and other borrowings during the Track Record Period and up to the Latest Practicable Date and do not foresee any potential difficulty in obtaining bank facilities should the need arise, although there is no assurance that we will be able to access bank financing on favorable terms or at all.

FINANCIAL INFORMATION

Borrowings

During the Track Record Period, our borrowings primarily consisted of (i) entrusted loan; (ii) bank borrowings; (iii) loans under the Paycheck Protection Program; (iv) financings associated with sale-leaseback transactions; (v) financings associated with bank acceptance bills; and (vi) factoring of trade receivable with recourse right. For further details, see Note 34 to the Accountant’s Report included in Appendix I to this document. The following table sets forth a breakdown of our borrowings as of the dates indicated:

	As of December 31,			As of	As of
	2021	2022	2023	April 30,	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
Current					
Bank borrowings	45,844	154,037	169,422	189,037	188,952
Financings associated with sale-leaseback transactions	16,371	20,470	39,414	31,652	23,269
Financings associated with bank acceptance bills	–	9,907	29,689	28,885	40,843
Factoring of trade receivable with recourse right	–	5,001	20,409	12,615	59,651
	62,215	189,415	258,934	262,189	312,715
Non-current					
Financings associated with sale-leaseback transactions	8,329	3,452	12,157	7,074	2,831
Total	70,544	192,867	271,091	269,263	315,546

Our borrowings amounted to RMB70.5 million, RMB192.9 million, RMB271.1 million, RMB269.3 million and RMB315.5 million as of December 31, 2021, 2022 and 2023, and April 30 and June 30, 2024, respectively. As of June 30, 2024, we had unutilized loan and credit facilities of RMB233.4 million which were entered into with five licensed financial institutions in the PRC and one licensed financial institution in India.

FINANCIAL INFORMATION

Bank borrowings

We had bank borrowings of RMB45.8 million, RMB154.0 million, RMB169.4 million and RMB189.0 million as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively. During the Track Record Period, our bank borrowings generally included pledged loans, guaranteed loans and credit loans, which were all secured or guaranteed by us or our related parties as follows:

- Pledged loans. During the Track Record Period, we entered into credit line agreements with certain licensed commercial banks in the United States, which carried fixed interest rate at 3.75% to 4.50% per annum. RMB39.7 million, RMB68.8 million, RMB68.8 million and RMB53.7 million of such loans remained outstanding as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively. Such loans were secured by pledged bank deposits provided by our Company. RMB48.7 million, RMB88.5 million, RMB49.9 million and RMB58.0 million of the bank deposits were pledged as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively.
- Guaranteed loans. During the Track Record Period, we entered into credit line agreements with certain licensed commercial banks in the PRC and the United States, which carried fixed interest rate at 3.60% to 5.00% per annum. RMB6.0 million, RMB85.0 million, RMB65.4 million and RMB124.9 million of such loans remained outstanding as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively. As of December 31, 2023, the aforementioned loans were guaranteed by Octillion Energy, Octillion Hefei and Octillion Miyuan with the amount of RMB20.4 million, RMB20.0 million and RMB25.0 million, respectively.
- Credit loans. In June 2020, we obtained a one-year credit loan of RMB10.0 million with the annual interest rate of 4.75% from a licensed commercial bank in the PRC. Such credit loans had been fully repaid in June 2021. As of April 30, 2024, Octillion Hefei had one credit loan of RMB10.0 million with the interest rate at 4.00% per annum.

All guarantees provided by our related parties in relation to our bank borrowings have been settled prior to the [REDACTED].

FINANCIAL INFORMATION

Financings associated with sale-leaseback transactions

We had sales and leaseback of RMB24.7 million, RMB23.9 million, RMB51.6 million and RMB38.7 million as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively. Since June 2021, we began to enter into sale-leaseback arrangements with several licensed financial leasing companies (“**buyer-lessors**”) in the PRC, pursuant to which we sell manufacturing machinery equipment to the buyer-lessors for cash considerations and simultaneously lease back such assets from the buyer-lessors for a period ranging from 12 to 24 months. For the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, the weighted average effective annual interest rate of the financings associated with sale-leaseback transactions was 6.20%, 6.73%, 7.83% and 7.62%, and the interest costs incurred were RMB1.4 million, RMB2.8 million, RMB3.6 million and RMB1.1 million, respectively. Such sale-leaseback financings were collateralized by our machinery equipment and were also guaranteed by Dr. Zhou, Octillion Energy and Octillion Miyuan as of December 31, 2021 and 2022, and guaranteed by Octillion Energy and Octillion Miyuan as of December 31, 2023 and April 30, 2024. All guarantees provided by our related parties in relation to such sale-leaseback financings have been settled prior to the [REDACTED]. For further details, see Note 34 to the Accountant’s Report included in Appendix I to this document.

Lease Liabilities

Lease liabilities are primarily in relation to the properties we leased for manufacturing, research and development and offices. Our lease liabilities increased from RMB32.7 million as of December 31, 2021 to RMB41.7 million as of December 31, 2022, primarily because we leased more new manufacturing facilities in India to enhance our manufacturing capacity and volume. Our lease liabilities remained relatively stable at RMB41.7 million and RMB39.5 million as of December 31, 2022 and 2023, respectively. Our lease liabilities increased from RMB39.5 million as of December 31, 2023 to RMB109.9 million as of April 30, 2024 mainly due to our new leased manufacturing facilities in Hefei.

LIQUIDITY AND CAPITAL RESOURCES

Our primary cash requirements are to pay for the procurement of machinery and equipment, purchase of raw materials, the research and development of our products and other working capital requirements. Historically, we meet these cash requirements mainly through cash generated from operations, borrowings and capital contributions from our shareholders and Pre-[REDACTED] investors. We had cash and cash equivalents of RMB460.8 million, RMB450.6 million, RMB450.2 million, RMB433.0 million and RMB411.5 million as of December 31, 2021, 2022 and 2023, and April 30 and June 30, 2024, respectively, consisting of cash on hand and cash in bank. Following the completion of the [REDACTED] and the [REDACTED], we intend to continue to fund our cash requirements mainly through our net cash generated from operating activities, together with any debt or equity financing that is available and suitable to us.

FINANCIAL INFORMATION

The following table sets forth our selected consolidated cash flow data for the periods indicated:

	Year ended December 31,			Four months ended
	2021	2022	2023	April 30, 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from/ (used in) operating activities	13,267	415,727	(608,894)	(528,323)
Net cash (used in)/generated from investing activities	(64,915)	(581,587)	(248,527)	120,301
Net cash generated from financing activities	429,786	124,367	851,240	389,795
Net increase/(decrease) in cash and cash equivalents	378,138	(41,493)	(6,181)	(18,227)
Cash and cash equivalents at the beginning of the financial year/period	81,640	460,787	450,578	450,173
Effects of exchange rate changes on cash and cash equivalents	1,009	31,284	5,776	1,091
Cash and cash equivalents at end of year/period	460,787	450,578	450,173	433,037

Cash Flows from Operating Activities

Cash flows from operating activities represented profit or loss before income tax adjusted for (i) certain non-cash or non-operating activities related items, such as depreciation and amortization, net impairment reversal or losses on financial assets, impairment of inventories, share-based compensation, changes in the fair value of financial instruments at fair value through profit or loss, finance costs, and net exchange differences; (ii) the effect of changes in working capital, such as movements in trade receivables, trade payables, inventories, contract liabilities and other payables; (iii) interest paid or received; and (iv) income tax paid.

We intend to enhance our working capital efficiency to improve our cash flow positions, primarily through the following measures:

- We expect our bargaining power to rise as we scale up our business, and we plan to negotiate more favorable with certain battery cell suppliers, including payment and credit terms, to better cover business cycles.

FINANCIAL INFORMATION

- We plan to reinforce our collection efforts of receivables and enhance our pre-engagement assessment of the creditworthiness and financial conditions of potential customers to ensure recoverability of trade and notes receivables. In addition, we plan to convert our factoring of trade receivables with recourse rights in India to without recourse rights.
- We intend to improve our management protocol to optimize inventory levels by responding to changes in the demands of our customers in a more timely manner in terms of raw material procurement, manufacturing plans and delivery of finished goods.

For the four months ended April 30, 2024, net cash used in operating activities was RMB528.3 million, resulting from loss before income tax of RMB38.4 million, and was also attributable to negative movements in working capital which mainly reflected (i) an increase of RMB346.4 million in trade receivables and notes receivables; and (ii) a decrease of RMB246.7 million in trade payables and notes payable; offset by an increase of RMB102.0 million in inventories.

For the year ended December 31, 2023, net cash used in operating activities was RMB608.9 million, resulting from profit before income tax of RMB71.8 million, as adjusted mainly by (i) depreciation and amortization of RMB68.2 million mainly in relation to our facilities, equipment and machines for manufacturing and EDD activities and our leased properties; (ii) share-based compensation of RMB50.6 million; (iii) provisions for the impairment of inventories of RMB35.4 million; and (iv) net impairment losses on financial assets of RMB11.3 million mainly in relation to one customer with whom we had terminated our business relationships. Our net cash used in operating activities in 2023 was also attributable to negative movements in working capital which mainly reflected (i) a decrease of RMB430.1 million in trade payables and notes payable which was primarily due to the decrease in our procurement of raw materials in 2023; (ii) an increase in trade receivables and notes receivables of RMB225.0 million; and (iii) an increase in inventories of RMB115.9 million. We recorded cash outflow from operating activities in 2023 as compared to our cash inflow from operating activities for each of the years ended December 31, 2021 and 2022, which was primarily because we entered into a factoring arrangement with a licensed financial institution in India with respect to relevant trade receivables due from our Indian customer, Customer D, in order to improve our liquidity for operations in India. Proceeds from such trade receivable factoring borrowing in India were RMB63.8 million, RMB94.1 million and RMB783.4 million for the years ended December 31, 2021, 2022 and 2023, respectively. Under such factoring arrangement, we transferred the relevant trade receivables of Customer D to the bank in exchange for cash at a discount, which was sum of repo rate plus spread of 1.4% per annum for a tenor up to 90 days till August 2023 and repo rate plus spread of 0.95% per annum for a tenor up to 90 days from August 2023 onwards and as of the Latest Practicable Date. As of April 30, 2024, all of our trade receivables from Customer D outstanding as of December 31, 2023, amounted to RMB36.6 million, had been subsequently settled. Our Directors are of the view that the default risk of Customer D is low as it has not defaulted during the Track Record Period and up to the Latest Practicable Date.

FINANCIAL INFORMATION

For the year ended December 31, 2022, net cash generated from operating activities was RMB415.7 million, resulting from profit before income tax of RMB110.4 million, as adjusted mainly by (i) provisions for the impairment of inventories of RMB14.7 million primarily in relation to our certain long-aging raw materials and finished goods; (ii) net exchange differences of RMB9.8 million; and (iii) depreciation and amortization of RMB52.1 million mainly in relation to our facilities, equipment and machines for manufacturing and EDD activities and our leased properties. Our net cash generated from operating activities in 2022 was also attributable to positive movements in working capital which mainly reflected (i) an increase in trade payables and notes payable of RMB1,234.6 million, primarily due to the increase in our procurement of raw materials; (ii) an increase in restricted cash of RMB24.5 million; and (iii) an increase in contract liabilities of RMB18.8 million, primarily due to the increase in prepayments from our certain major customers, namely Customer E and a customer in the United States, partially offset by (i) an increase in trade receivables and notes receivables of RMB818.5 million which was in line with our sales growth and business expansion; and (ii) an increase in inventories of RMB338.6 million, primarily because we prepared more raw materials and finished goods in stock in order to meet the increasing market demand for our products.

For the year ended December 31, 2021, net cash generated from operating activities was RMB13.3 million, resulting from our loss before income tax of RMB64.9 million, as adjusted mainly by (i) net finance costs of RMB43.4 million; (ii) depreciation and amortization of RMB35.5 million mainly in relation to our facilities, equipment and machines for manufacturing and EDD activities and our leased properties; and (iii) share-based compensation of RMB13.3 million. Our net cash generated from operating activities in 2021 was also adjusted by positive movements in working capital, mainly reflecting (i) an increase in trade payables and notes payable of RMB507.5 million, which was in line with our sales growth and the increase in procurement of raw materials; and (ii) an increase in other payables of RMB87.2 million, partially offset by an increase in trade receivables of RMB607.5 million which was in line with our sales growth and business expansion in 2021.

Cash Flows from Investing Activities

For the four months ended April 30, 2024, our net cash generated from investing activities was RMB120.3 million, primarily reflecting the proceeds from maturity of short-term investments of RMB409.8 million, partially offset by (i) payments for short-term investments of RMB222.1 million; and (ii) payments for property, plant and equipment of RMB67.5 million which was primarily in relation to our investment in manufacturing capacity expansion in Hefei, China and in India.

For the year ended December 31, 2023, our net cash used in investing activities was RMB248.5 million, primarily reflecting (i) payments for short-term investments of RMB1,302.6 million; and (ii) payments for property, plant and equipment of RMB123.8 million which was primarily in relation to our investment in manufacturing capacity expansion in Liuzhou and Anqing, China and in India, partially offset by proceeds from maturity of short-term investments of RMB1,177.2 million.

FINANCIAL INFORMATION

For the year ended December 31, 2022, our net cash used in investing activities was RMB581.6 million, primarily reflecting (i) payments for short-term investments of RMB893.2 million; and (ii) payments for property, plant and equipment of RMB72.2 million which was mainly in relation to our investment in construction in progress and leasehold improvements for our manufacturing facilities in Liuzhou and Hefei.

For the year ended December 31, 2021, our net cash used in investing activities was RMB64.9 million, primarily reflecting payments for property, plant and equipment of RMB66.8 million which was primarily in relation to our investment in new production lines in our manufacturing facilities in Anqing and Liuzhou in order to expand our manufacturing capacity.

For more details, see the section headed “— Description of Selected Consolidated Balance Sheets Line Items — Property, plant and equipment” above.

Cash Flows from Financing Activities

For the four months ended April 30, 2024, our net cash generated from financing activities was RMB389.8 million, primarily reflecting (i) proceeds from trade receivable factoring borrowings of RMB405.1 million; (ii) proceeds from borrowings of RMB130.4 million, partially offset by the repayment of borrowings of RMB125.7 million.

For the year ended December 31, 2023, our net cash generated from financing activities was RMB851.2 million, primarily reflecting (i) proceeds from trade receivable factoring borrowing of RMB783.4 million; (ii) proceeds from borrowings of RMB332.1 million; and (iii) proceeds from maturities of deposits for borrowings of RMB42.3 million, partially offset by repayment of borrowings of RMB272.9 million.

For the year ended December 31, 2022, our net cash generated from financing activities was RMB124.4 million, primarily reflecting (i) proceeds from borrowings of RMB257.2 million; (ii) proceeds from maturities of deposits for borrowings of RMB67.4 million; (iii) proceeds from factoring of trade receivables of RMB94.1 million; and (iv) proceeds from the additional capital injection by the non-controlling shareholder of RMB24.0 million, partially offset by (i) repayment of borrowings of RMB140.2 million; and (ii) payment for deposits for borrowings of RMB101.6 million.

For the year ended December 31, 2021, our net cash generated from financing activities was RMB429.8 million, primarily reflecting (i) proceeds from issuance of preferred shares of RMB367.3 million; and (ii) proceeds from borrowing of RMB119.3 million, partially offset by repayment of borrowings of RMB122.0 million.

FINANCIAL INFORMATION

Net Current Assets

The following table sets forth our current assets, current liabilities and net current assets or liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2021	2022	2023	April 30,	June 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
Current assets					
Inventories	241,053	565,091	645,543	543,490	626,336
Contract assets	–	–	7,198	8,695	9,528
Prepayments, deposits and other current assets	32,967	31,988	101,884	115,272	164,670
Trade receivables	140,254	982,281	713,614	464,618	487,756
Amounts due from related parties	218,825	77,220	40,208	134,137	105,367
Financial assets at fair value through other comprehensive income	511,551	540,264	271,026	356,226	310,005
Short-term investments	3,210	515,182	642,998	455,923	280,147
Restricted cash	89,273	104,615	98,811	119,294	133,836
Cash and cash equivalents	460,787	450,578	450,173	433,037	411,511
Total current assets	<u>1,697,920</u>	<u>3,267,219</u>	<u>2,971,446</u>	<u>2,630,692</u>	<u>2,529,156</u>
Current liabilities					
Trade and other payables	1,387,815	2,590,717	2,274,902	1,972,998	1,787,451
Amounts due to related parties	200	3,969	1,147	1,151	1,245
Contract liabilities	41,090	58,070	28,977	27,965	31,953
Current tax liabilities	964	1,477	18,579	4,740	6,680
Borrowings	62,215	189,415	258,934	262,189	312,715
Lease liabilities	13,088	17,220	16,449	60,703	48,058
Deferred government grants	3,860	3,860	3,860	3,860	3,860
Total current liabilities	<u>1,509,232</u>	<u>2,864,728</u>	<u>2,602,848</u>	<u>2,333,606</u>	<u>2,191,962</u>
Net current assets	<u>188,688</u>	<u>402,491</u>	<u>368,598</u>	<u>297,086</u>	<u>337,194</u>

FINANCIAL INFORMATION

Our net current assets increased from RMB188.7 million as of December 31, 2021 to RMB402.5 million as of December 31, 2022, which was primarily due to the growth of our sales and business scale in 2022. Our net current assets decreased from RMB402.5 million as of December 31, 2022 to RMB368.6 million as of December 31, 2023, which was primarily due to a decrease in trade receivables and notes receivables as a result of the relatively lower customer demand in 2023, partially offset by a decrease in trade and other payables. Our net current assets decreased from RMB368.6 million as of December 31, 2023 to RMB297.1 million as of April 30, 2024 primarily due to a decrease in trade receivables as a result of our settlement of a relatively large amount of trade receivables during the four months of April 30, 2024, partially offset by a decrease in trade and other payables. Our net current assets increased from RMB297.1 million as of April 30, 2024 to RMB337.2 million as of June 30, 2024 primarily because a decrease in trade and other payables.

Working Capital Sufficiency

We had sufficient cash and cash equivalents as of December 31, 2021, 2022 and 2023 and April 30 and June 30, 2024, respectively, for our working capital needs. We had net cash generated from operating activities of RMB13.3 million and RMB415.7 million for the years ended December 31, 2021 and 2022, respectively.

Our Directors are of the opinion that, taking into account (i) the financial resources currently available to us, such as our cash and cash equivalents, the proceeds from our Series F financing, the available bank financing, the anticipated cash inflows from operations, particularly in light of the estimated increase in sales volume of our products, and (ii) the estimated [REDACTED] from the [REDACTED], we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document.

CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures for purchases of property, plant and equipment, such as furniture, fittings and equipment, machinery and equipment, and leasehold improvements. For more information on the uses of our capital expenditures during the Track Record Period, see the section headed “— Liquidity and Capital Resources — Cash Flows from Investing Activities” above.

CONTINGENT LIABILITIES

In September 2023, certain imported lithium-ion battery cells of Octillion India which amounted to approximately USD7.3 million were detained by the Directorate of Revenue Intelligence (“DRI”) of India for examination on the grounds of alleged misdeclaration of these battery cells and incorrectly claiming the 5% concessional rate of duty on the import of these battery cells, instead of the 20% import duty. The DRI’s primary contention was that the battery cells were “batteries” and not “cells” as we had declared, and therefore we cannot claim the 5% concessional rate of duty. To the best of our knowledge, information and belief having made reasonable enquiries, the DRI’s prima facie view was primarily based upon: (i) the

FINANCIAL INFORMATION

existence of multiple internal windings within the battery cells; (ii) the labeling of the word “batteries” on the battery cells’ shipping containers (the containers were packed by the suppliers who, to our best knowledge, used the “batteries” labels that did not differentiate between lithium-ion cell or lithium-ion battery); and (iii) the report from the government-approved chartered engineer. The lithium-ion battery cells detained were provisionally released upon our fulfillment of certain conditions set forth in a vide order dated October 6, 2023 (the “**Order of Provisional Release of Goods**”), including the execution of a bond of INR609.5 million (equivalent to approximately RMB51.9 million) with an undertaking that we shall pay the duty, fine and/or penalty as may be adjudged by the relevant Indian authority and a bank guarantee of INR411.5 million (equivalent to approximately RMB35.0 million) for differential duty and possible fines and penalties that may be imposed. Octillion India further paid an additional amount of INR14,589 (equivalent to approximately RMB1,242) towards the bond. We have contended that the calculations of the bank guarantee failed to take into account the duty of INR56.6 million (equivalent to approximately RMB4.8 million) paid while clearing the goods by Octillion India. After the incident, Octillion India has continued to import the battery cells as “cells” and pay the import duty at the rate of 5%, with the remaining 15% duty being deposited by Octillion India by way of a bank guarantee in favor of the customs authorities after communications with the relevant authorities. As of April 30, 2024, other than the bond of INR609.5 million (equivalent to approximately RMB51.9 million) placed by Octillion India with undertaking, Octillion India has also issued bank guarantees in favor of Commissioner of Customs in relation to ongoing custom duty incident in India. Octillion India has placed bank deposits of INR944.2 million (equivalent to approximately RMB80.4 million) which are recorded as restricted short-term investments as collateral for the above bank guarantees to permit the potential deduction upon future execution of bank guarantees, if required. An appeal has been filed with the CESTAT requesting to set aside the bank guarantee amount to the extent of excess differential duty paid of INR56.6 million (equivalent to approximately RMB4.8 million) and to set aside the Order for Provisional Release of Goods and the goods to be cleared without any bond and bank guarantee, or, in the alternative, reduce the bond and bank guarantee to 10% of the actual differential duty amount without penalty, fine or interest against the current 15% differential duty amount and possible fines and penalties as the issue is of classification of product.

As of the Latest Practicable Date, we were in the process of further evaluating the matter with Indian authorities, and the appeal filed by Octillion India before the CESTAT had been listed for hearing before the CESTAT, however, no hearing had taken place and no show cause notice had been issued by the customs authorities and no further summons had been issued. For any customs issue where duty has not been paid or has been short-paid, the customs authorities are required to, within two years, serve a “show cause notice” on Octillion India to give it an opportunity to file a reply to the issue of non-payment or short-payment. Unless the authorities are of the view that there is evidence of collusion, willful misstatement or suppression of facts, the limitation period for the serving of such “show cause notice” to Octillion India by the customs authorities is ordinarily two years. If any of the aforementioned elements are present, such limitation period may be extended to up to five years. Thereafter on adjudication, in the event the order is not favorable, Octillion India would be entitled to appeal a non-favorable order within sixty days from the date of communication of such order, which may be extended.

FINANCIAL INFORMATION

An order will be passed within a period of six months from the date on which the appeal is filed, and to further appeal in case of an unfavorable outcome. Once a final order is passed, Octillion India will be required to pay the 15% differential duty if the order is not favorable to us.

We have been advised by our Indian legal counsels that it is likely that the adjudicating authorities decide the matter in favor of us based on the expert opinions obtained from governmental bodies, professors, Indian institutes of technical education and testing agencies and laboratories to support that the battery cells are "cells" with 5% import duty and not constitute "batteries" which are with 20% import duty. Accordingly, our Directors are of the view that an outflow for payments of the 15% difference in import duty, fine or penalty is not probable, and therefore, no provision has been made as of December 31, 2023. As advised by our Indian legal counsels, (i) the amounts deposited pursuant to the bond and guarantee (being the shortfall of the duty claimed on the import of the imported lithium-ion battery cells and the interest payable thereon) will be our maximum financial exposure for historical shipments of the imported lithium-ion battery cells with respect to the Incident; and (ii) the sales agreement between Octillion India and Customer D, one of our top five largest customers in each year/period during the Track Record Period who contributed over 90% of our revenue in India in 2023, provides that all taxes and duties levied upon the products supplied by Octillion India under the said agreement (being the battery packs manufactured using the imported lithium-ion battery cells) will be included in the sale price and borne by the customer, and the parties can mutually amend the pricing for the products in the event of any revision of taxes or duties. Based on the above, and taking into account that Octillion India was able to revise the delivery schedules and arrange delivery with its inventory so that the detention of the lithium-ion battery cells did not result in any penalty or loss of orders, Customer D is contractually bound to bear the additional tax and duties and the amount of battery packs supplied to the remaining customers in India were not significant or were charged at a higher price, our Directors are of the view that the Incident did not have any material adverse impact on our operation in India.

After the Incident, Octillion India has continued to import the battery cells as "cells" and pay the import duty at the rate of 5%, with the remaining 15% duty being deposited by Octillion India by way of a bank guarantee in favor of the customs authorities after communications with the relevant authorities (the "**Ongoing Arrangement**"). Since the relevant customers have agreed to pay the remaining 15% duty either as part of the sale price or as reimbursement in particular Customer D is contractually bound to bear the additional tax and duties, we are not aware that any of our existing customers in India would cease its business relationship with us in particular Customer D has further entrusted us to supply EV battery systems for their passenger EVs starting in December 2023 and we had received new orders from the remaining customers after the price adjustment, and the relevant authorities have verbally and informally agreed to the Ongoing Arrangement, our Directors are of the view that it is unlikely Octillion India will be subject to any further penalty and the Ongoing Arrangement will not have any material adverse impact on our operation and financial performance. Based on the above, as of the Latest Practicable Date, we had no plan to stop importing battery cells into India.

FINANCIAL INFORMATION

Even if the concessional rate of import duty ceases after March 31, 2026, since (i) Octillion India may contractually vary the price of its products to take into account the additional duty with respect to its existing customers; (ii) we may explore other arrangements to diversify our risks such as sourcing lithium-ion battery cells locally and having our customers to import the lithium-ion battery cells instead of our Group; and (iii) Octillion India will continue to ensure it is contractually protected against commodity, foreign exchange and duty fluctuations with respect to its new customers, and taking into account that the price of lithium-ion battery cells has been experiencing a decline due to over production and supply chain stability which will further offset any increase in duty, our Directors are of the view that the cessation of concessional rate of import duty (if materialised) will not have any material adverse impact on our operations and financial performance.

Our Group adopts and implements a standard operating procedure in relation to import of goods into India. Such procedures include requiring the Group to complete the necessary registration, declaration in the bill of entry before importing the goods and upon importing the goods into India in accordance with the relevant laws and regulations in India. Our Group has engaged external consultants to handle customs clearance. As confirmed by our Indian legal counsels, we had followed the relevant procedures stipulated by the laws and regulations in claiming concessional rates of duty for importing battery cells into India during the Track Record Period and up to the Latest Practicable Date.

Save as otherwise disclosed in this document, we did not have any significant contingent liabilities or outstanding guarantees as of December 31, 2021, 2022 and 2023, April 30, 2024 and the Latest Practicable Date.

RELATED PARTY TRANSACTIONS AND BALANCES

Related Party Transactions

During the Track Record Period, we had certain related party transactions, mainly in relation to (i) sales of goods and provision of services; (ii) purchase of goods and miscellaneous services; (iii) lease of manufacturing workshops; (iv) guarantees provided by related party; (v) collection of Series E preferred share subscription receivables; (vi) surrender of share capital and share premium; and (vii) dividend distribution.

These related party transactions were conducted in accordance with terms as agreed between us and the respective related parties. Our Directors have confirmed that all the aforementioned related party transactions in ordinary and usual course of business during the Track Record Period were conducted on arm's length basis. Our Directors have further confirmed that these related party transactions would not significantly distort our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

FINANCIAL INFORMATION

Sales of goods and provision of services

For the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, we recognized revenue from a related party customer in the amount of RMB861.3 million, RMB1,745.6 million, RMB830.3 million and RMB137.3 million, respectively, for sales of goods, primarily referring to EV battery systems.

For the same periods, we recognized revenue from this related party customer in the amount of nil, RMB1.3 million, RMB0.5 million and nil, respectively, for provision of product upgrade services.

Purchase of goods and miscellaneous services

For the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, we also purchased certain goods such as components and parts from this related party customer in the amount of RMB0.8 million, RMB1.4 million, RMB4.3 million and RMB17 thousand respectively.

For the same periods, we paid this related party customer RMB0.2 million, RMB4.3 million, RMB3.5 million and RMB0.4 million, respectively, for certain miscellaneous services such as labor and shuttle bus services for our employees and product post-warranty services.

Lease of workshops

For the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024, we recorded a right-of-use asset of RMB24.3 million, nil, nil and RMB27.4 million, respectively, for lease of workshops located in this related party customer’s manufacturing facilities, together with payment of interest expenses for lease liabilities of RMB1.0 million, RMB0.6 million, RMB0.2 million and RMB0.3 million, respectively.

Guarantees provided by Dr. Zhou

Our borrowings guaranteed by Dr. Zhou amounted to RMB6.0 million, RMB35.0 million, nil and nil as of December 31, 2021, 2022 and 2023 as of April 30, 2024, respectively. Our Directors confirm that the guarantees provided by Dr. Zhou had all been released as of the Latest Practicable Date. For further details, see Note 34 to the Accountant’s Report included in Appendix I to this document.

Collection of Series E preferred share subscription receivables

We settled with Mahayana RMB22.6 million and RMB20.0 million of Series E preferred share receivables in 2021 and 2023, respectively, through the cash payment of US\$3.5 million by Mahayana and cancelation of shares issued to Mahayana, which were worth US\$2.8 million.

FINANCIAL INFORMATION

We settled with Dr. Zhou RMB3.7 million of Series E preferred share receivables in 2023 through the cash payment of US\$0.5 million by Dr. Zhou.

For further details, see the section headed “History, Reorganization and Corporate Structure — Major Corporate Development — Our Company — (viii) Share transfers, subscription and Series E investment.”

Surrender of share capital and share premium

On December 28, 2021, Mahayana irrevocably and unconditionally surrendered 350,000 Senior Ordinary Shares to our Company for RMB19.6 million of consideration in exchange for the cancelation of the purchase price of US\$2,843,602.10 for such surrendered shares. For further details, see Note 30 to the Accountant’s Report included in Appendix I to this document.

Dividend distribution

In 2023, Octillion JV declared cash dividends of RMB3.0 million to its shareholders, among which, RMB1.5 million was paid to JAC.

Balances with Related Parties

The following table sets forth the breakdown of our balances with related parties as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	April 30, 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Trade in nature</i>				
Trade receivables	198,142	54,608	39,707	133,636
Trade and other payables	200	2,100	1,147	1,151
Prepayments, deposits and other				
current assets	250	306	501	501
Contract liabilities	–	1,869	–	–
Lease liabilities	16,564	8,478	–	23,235
<i>Non-trade in nature</i>				
Subscription receivables for				
Series E preferred shares due				
from the investors	20,433	22,306	–	–

FINANCIAL INFORMATION

All of the outstanding amounts due from and due to our related parties which are non-trade in nature will be fully settled prior to the [REDACTED]. For further details of related party transactions and balances, see Note 42 to the Accountant’s Report included in Appendix I to this document.

OFF-BALANCE SHEET TRANSACTIONS

During the Track Record Period, we did not enter into any off-balance sheet arrangements. In addition, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

KEY FINANCIAL RATIOS

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

	As of/Year ended December 31,			As of/ Four months ended April 30,
	2021	2022	2023	2024
	Current Ratio ⁽¹⁾	1.1x	1.1x	1.1x
Quick Ratio ⁽²⁾	1.0x	0.9x	0.9x	0.9x
Return on Assets ⁽³⁾ (%)	(3.5)	3.1	1.8	(0.9)
Return on Equity ⁽⁴⁾ (%)	(27.5)	24.2	10.9	(5.0)
Gross Profit Margin ⁽⁵⁾ (%)	9.1	8.2	17.1	13.5

Notes:

- (1) Current ratio is calculated by dividing total current assets by total current liabilities as of the dates indicated.
- (2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as of the dates indicated.
- (3) Return on assets is calculated by dividing profit/loss for the period by total assets as of the dates indicated and multiplied by 100%.
- (4) Return on equity is calculated by dividing profit/loss for the period by total equity as of the dates indicated and multiplied by 100%.
- (5) Gross profit margin is calculated by dividing gross profit by total revenue for the period and multiplied by 100%.

FINANCIAL INFORMATION

Current Ratio

Our current ratio remained at 1.1 times as of December 31, 2021, 2022 and 2023 and April 30, 2024. For further details of changes in our current assets and current liabilities over the Track Record Period, see the section headed “— Liquidity and Capital Resources — Net Current Assets or Liabilities” above.

Quick Ratio

Our quick ratio remained relatively stable as of December 31, 2021, 2022 and 2023.

Return on Assets

Our return on assets was negative for the year ended December 31, 2021, respectively, and our return on assets was 3.1% for the year ended December 31, 2022. The improvement in our return on assets in 2022 was primarily due to economies of scale as our business grew in size. Our return on assets decreased to 1.8% as of December 31, 2023 and was negative for the four months ended April 30, 2024, which was generally in line with the fluctuation of our profit/loss.

Return on Equity

Our return on equity was negative for the year ended December 31, 2021 and the four months ended April 30, 2024 and was 24.2% and 10.9% for the years ended December 31, 2022 and 2023, respectively, because we began to make profit in 2022.

Gross Profit Margin

Our gross profit margin was 9.1%, 8.2%, 17.1% and 13.5% for the years ended December 31, 2021, 2022 and 2023 and for the four months ended April 30, 2024, respectively. For further details, see the section headed “— Period to Period Comparison of Results of Operations” above.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

During the regular course of our business, we are exposed to various types of financial risks, mainly including market risk (mainly including foreign exchange risk), credit risk and liquidity risk. We adopt an overall risk management program which focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. For further details, see Note 3 to the Accountant’s Report included in Appendix I to this document.

FINANCIAL INFORMATION

Market Risk

The major market risk that we are exposed to refers to foreign exchange risk. Foreign exchange risk arises when recognized assets and liabilities are denominated in a currency that is not our functional currency. The functional currency of our Company is US\$ whereas functional currency of our subsidiaries, VIE and VIE’s subsidiaries operate in China is RMB. During the Track Record period, we had net foreign exchange losses of RMB0.2 million, RMB9.8 million, RMB10.1 million and RMB3.7 million in 2021, 2022 and 2023 and for the four months ended April 30, 2024. We currently do not hedge transactions undertaken in foreign currencies but manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures and try to minimize these exposures wherever possible. For more details, see the section headed “Risk Factors — Risks Related to Our Business and Industry — Fluctuations in exchange rates could have material adverse effect on our financial condition and results of operations.” and Note 3.1(a)(i) of Appendix I to this document.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our Group. We are exposed to credit risk in relation to cash and cash equivalents, restricted cash, trade receivables, financial assets at FVOCI and other receivables. The carrying amounts of each class of the above financial assets represent our maximum exposure to credit risk in relation to financial assets.

Credit risk of cash and cash equivalents and restricted cash

To manage the credit risk arising from cash and cash equivalents and restricted cash, we mainly place cash equivalents and restricted cash with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. We expect that our exposure to credit risk arising from cash and cash equivalents and restricted cash is close to nil.

Credit risk of trade receivables and financial assets at FVOCI

We apply the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and financial assets at FVOCI.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables, or significant adverse changes in the market environment, including, among others, the economic impact of the unprecedented COVID-19 on the customers.

We have established a credit risk management policy under which individual credit evaluation are performed on all customers who wish to trade on credit terms over a certain amount. We also monitor our receivables balances on an ongoing basis.

FINANCIAL INFORMATION

As of December 31, 2021, 2022 and 2023 and April 30, 2024, there were two, two, three and three customers that individually contributed to more than 10% of our total trade receivables balances as of the same dates, respectively. For further details, see Note 3.1(b)(ii) to the Accountant's Report included in Appendix I to this document.

Credit risk of other financial assets at amortized cost

Other receivables mainly comprise receivables from employee advances, rental deposits and interest receivables. We consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether is a significant increase in credit risk, we generally consider indicators including (i) actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counter party's ability to meet its obligations; (ii) actual or expected significant changes in the operating results of the counter party; and (iii) significant changes in the expected performance and behavior of the counter party, including changes in the payment status of the counter party. As of December 31, 2021, 2022 and 2023 and April 30, 2024, there was no significant increase in credit risk since initial recognition. We assessed that the expected credit losses for these financial assets within the next 12 months are not material.

Liquidity Risk

To manage the liquidity risk, we monitor and maintain a reasonable level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. We expect to fund our future cash flow needs through internally generated cash flows from operations, borrowings from financial institutions and financing from investors.

The cash and cash equivalents, trade receivables and other current assets (excluding prepayments) held by us are expected to readily generate cash inflows for managing liquidity risk.

As of April 30, 2024, we had net current assets of RMB297.1 million. With the consideration of anticipated operation cash inflows, and the ability to adjust the pace of operation expansion and expenditures, our Directors are of the view that we have sufficient cash flows in the near future to manage liquidity risks.

DIVIDENDS

During the Track Record Period, no dividend has been paid or declared by our Company.

Subject to the provisions of the Articles of Association and the Cayman Companies Act, through a general meeting, we may declare dividends, but no dividend may be declared unless out of either profits or share premium account and no dividend shall exceed the amount recommended by our Board. Any declaration of dividends, however, is subject to our results

FINANCIAL INFORMATION

of operations, working capital and cash position, future business and earnings, capital requirements, contractual restrictions, if any, as well as any other factors which our Directors may consider relevant from time to time. Our Board may also from time to time pay interim dividends as our Board believes to be justified by the profits of our Company, as well as special dividends on shares of any class of such amounts and on such dates as it deems fit. We cannot guarantee in what form dividends will be paid in the future. In addition, any declaration and payment as well as the amount of the dividends will be subject to the provisions of (i) our Articles of Association, which require any final dividends to be approved by our Shareholders at a general meeting, and (ii) the Cayman Companies Act, which provides that dividends may be paid out of sums standing to the credit of its share premium account provided that immediately following the payment of dividend, our Company shall be able to pay its debts as they fall due in the ordinary course of business. Any future declarations and payments of dividends will be at the discretion of our Directors and may require the approval of our Shareholders. Under applicable PRC law, each of our subsidiaries in the PRC may only distribute after-tax profits after it has made allocations or allowances for recovery of accumulated losses and allocations to the statutory reserves.

DISTRIBUTABLE RESERVES

As of April 30, 2024, our Company had share capital and share premium of RMB2,246.9 million, other reserves of RMB238.9 million and accumulated losses of RMB1,969.9 million.

[REDACTED] EXPENSES

Based on the [REDACTED] of the indicative [REDACTED] of HK\$[REDACTED] per Share, the total estimated [REDACTED] expenses in relation to the [REDACTED] are approximately RMB[REDACTED], which represent [REDACTED] of the total gross [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), assuming the [REDACTED] is not exercised. During the Track Record Period, we incurred [REDACTED] expenses of RMB[REDACTED], of which RMB[REDACTED] was charged to our consolidated statements of comprehensive income and RMB[REDACTED] was recognized as other non-current assets in our consolidated balance sheets to be accounted for as a deduction from equity upon the [REDACTED]. Subsequent to the Track Record Period, we expect to incur additional [REDACTED] expenses of approximately RMB[REDACTED], of which RMB[REDACTED] is expected to be charged to our consolidated statements of comprehensive income and RMB[REDACTED] is expected to be accounted for as a deduction from equity upon the [REDACTED]. The estimated [REDACTED] expenses of approximately RMB[REDACTED] include: (i) [REDACTED] expenses (including but not limited to [REDACTED] and fees) of approximately RMB[REDACTED], and (ii) [REDACTED] related expenses of approximately RMB[REDACTED], which consist of fees and expenses of legal advisors and accountants of approximately RMB[REDACTED], and other fees and expenses of approximately RMB[REDACTED]. The aforementioned [REDACTED] expenses are the latest practicable estimates by us and are provided for reference only and the actual amounts may differ.

FINANCIAL INFORMATION

SUBSEQUENT EVENT AND FINANCIAL STATEMENTS

There have been no material events subsequent to the Track Record Period. No audited financial statements have been prepared by us or any of the companies now comprising our Group in respect of any period subsequent to April 30, 2024 and up to the date of this document.

RECENT DEVELOPMENTS

For details of the impact of recent developments on our business, operations, financial performance and regulatory environment, see the section headed “Summary — Recent Developments and No Material Adverse Change.”

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For details of unaudited [REDACTED] statement of adjusted net tangible assets, see Part A of Appendix II to this document, which is set out therein to illustrate the effect of the [REDACTED] on our net tangible assets attributable to the equity holders of our Company as of April 30, 2024 as if the [REDACTED] had taken place on April 30, 2024 and assuming the [REDACTED] is not exercised.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, since April 30, 2024 and up to the date of this document, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in our consolidated financial statements set out in the Accountant’s Report included in Appendix I to this document.

NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been [REDACTED] on the Hong Kong Stock Exchange on that date.

FUTURE PLANS AND [REDACTED]

FUTURE PLANS

See “Business — Business Strategies” for a detailed description of our future plans.

[REDACTED]

We estimate the [REDACTED] of the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the [REDACTED] of the [REDACTED] stated in this document), will be approximately HK\$[REDACTED], after deduction of [REDACTED] fees and [REDACTED] and estimated expenses payable by us in connection with the [REDACTED] and assuming the [REDACTED] is not exercised.

In line with our strategies, we intend to use the [REDACTED] for the following proposed purposes in the amounts set forth below:

- approximately [REDACTED], or approximately HK\$[REDACTED], will be used for the continuing development of our technologies. The [REDACTED] allocated below are mainly determined based on (i) the technologies needed to advance our EDD activities and maintain the technological advantages and competitiveness of our battery systems; (ii) the technologies and equipment required to enhance our manufacturing processes; and (iii) the availability in amount and time of other finance resources for the development of our technologies. Specifically, we intend to use:
 - approximately [REDACTED], or approximately HK\$[REDACTED], to fund the development of our technology platforms, including:
 - (a) BEST: approximately [REDACTED], or approximately HK\$[REDACTED], will be used to develop our BEST platform. In particular, we intend to expand BEST platform to:
 - incorporate next generation large format cylindrical high specific energy density cells while maintain battery system safety standard. We are currently at advanced engineering prototype and safety validation stage. For a sample project, see the first BEST sample project in the section headed “Business — Engineering, Design and Development — Key EDD Projects.” This will lead to BEV and PHEV battery systems with longer driving range and faster charging rate, and broaden our product portfolio; and
 - incorporate large format cylindrical LFP cells. We aim to further reduce the cost of our LFP cylindrical battery cells with BEST such that the balance of non-battery cell cost will be lower than the industry average cost for prismatic designs, which are generally more cost efficient than cylindrical designs. For a sample project,

FUTURE PLANS AND [REDACTED]

see the second BEST sample project in the section headed “Business — Engineering, Design and Development — Key EDD Projects.” We aim to offer this initially with entry-level PHEVs;

- (b) **MUST:** approximately [REDACTED], or approximately HK\$[REDACTED], will be used to develop our MUST platform. Our current embodiments of MUST are predominantly prismatic LFP cells. We are at advanced engineering prototype and safety validation stage with fast charge prismatic high specific energy density battery cells. For a sample project, see the third MUST sample project in the section headed “Business — Engineering, Design and Development — Key EDD Projects.” The advancement of MUST to include prismatic high specific energy density battery cells will enable us to offer high performance battery systems that boast extended driving ranges and rapid charging capabilities, all while upholding our stringent safety and thermal management standards. We anticipate conducting extensive EDD tests before these goals are fully realized.
- (c) **FLICK:** approximately [REDACTED], or approximately HK\$[REDACTED], will be used to develop our FLICK platform. In particular, we intend to develop our full-stack manufacturing equipment and process to improve automation in various manufacturing processes, including battery cell loading and stacking, glue dispensing, laser welding, module and pack transportation, machine vision inspection and testing automation, which will enable us to enhance efficiency while optimizing product quality; and
- (d) **FLASH:** approximately [REDACTED], or approximately HK\$[REDACTED], will be used to develop our FLASH platform. In particular, we intend to:
- further expand semiconductor hardware portfolio of flexible layered architecture for software and hardware. This expansion is intended to ensure compatibility with a diverse range of microcontroller units, analog front ends and other BMS chips. This would reduce our reliance on specific ICs and other complex battery system components, thus mitigating supply chain constraints, enhancing the versatility and adaptability of our system and accelerating our design cycle, while maintaining product quality; and
 - further invest in battery system functional safety and modularity. We target to develop our FLASH platform to integrate with functional safety, which allows us to enhance functional safety while supporting multiple hardware architecture, and facilitate the promotion of high performance functional safety BMS to a larger range of EV models.

FUTURE PLANS AND [REDACTED]

- approximately [REDACTED], or approximately HK\$[REDACTED], to fund the expansion of our product portfolios. We intend to leverage on our success in A00 market and our product development capabilities to monetize on the growth of (i) A00 and A0 size BEVs and A size PHEVs in China; (ii) passenger EVs, EV buses and other commercial vehicles in India; and (iii) commercial vehicle, industrial and construction equipment in the United States.
- approximately [REDACTED], or approximately HK\$[REDACTED], to fund the development of our EDD capabilities, including:
 - (a) prototyping and validation capabilities: to invest in rapid prototyping and validation capabilities including battery system safety, structural & thermal, hardware and software components and sub-systems, and to improve in-house prototyping, test and validation percentages; and
 - (b) data driven engineering design and development: to strengthen and expand our computer aided design capacity and acquire relevant simulation software, to improve our in-house SUPER data backbone, and to further integrate SUPER with our ERP and MES systems.

Investment in our EDD capabilities lays a solid foundation for the continuous innovation of our technologies, enhance our competitiveness and enable growth of our business. This will allow us to facilitate product development and be at the forefront of battery system technology development and product innovation.

- approximately [REDACTED], or approximately HK\$[REDACTED], will be used for the expansion of our total annual manufacturing capacity from 0.9 million units as of April 30, 2024 to approximately 1.8 million units by the end of 2026. In response to the growing demand, we plan to further expand our manufacturing capacity. We believe the manufacturing capacity of our existing manufacturing facilities will help improve our economies of scale and support our business expansion. We expect that the EV battery system market will continue to grow rapidly as the EV market grows. According to the F&S Report, global EV sales volume is expected to grow at a CAGR of 28.4% from 2024 to 2028 to reach 50,540 thousand units by 2028, and passenger EV sales volume in China is expected to grow at a CAGR of 19.7% from 2024 to 2028 to reach 23,389 thousand units by 2028. We believe it is crucial to expand our manufacturing capacity as the market demand for our products will continue to grow.

The allocation of the [REDACTED] for the expansion or of our manufacturing capacity as set forth below was mainly determined based on (i) the scale and number of manufacturing facilities and the ancillary infrastructures needed to support our production activities to fulfill demand forecasts based on our experience, number of orders from customers and discussions with customers, and industry trends; (ii) the

FUTURE PLANS AND [REDACTED]

location of our manufacturing facilities to support key customers; (iii) the types of equipment required to upgrade our production lines; (iv) the schedule of construction and production; and (v) the availability in amount and time of other finance resources for our expansion plans. In particular, the [REDACTED] will be used to increase the annual manufacturing capacity in our existing Hefei facility II, Hefei facility III, Anqing facility and Liuzhou facility by approximately 13,000 units, 400,000 units, 40,000 units and 310,000 units, respectively, by the end of 2026 and to upgrade production lines in all our facilities, enhancing automation levels in cell sorting and testing, machine vision inspection, material handing robotics and automated guided vehicles, and manufacturing execution system.

We estimate that the total investment amount of the above manufacturing facilities under expansion will be HK\$[REDACTED], of which HK\$[REDACTED] will be the [REDACTED] of the [REDACTED], estimated to be used in the next two to three years, and HK\$[REDACTED] will be from project loans.

- approximately [REDACTED], or approximately HK\$[REDACTED], will be used for working capital and general corporate purposes.

If the [REDACTED] is fixed at the [REDACTED] or [REDACTED] of the proposed [REDACTED] and the [REDACTED] is not exercised, the [REDACTED] to be received by us will be increased or decreased by approximately HK\$[REDACTED], respectively. The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the [REDACTED] of the estimated [REDACTED] or that the [REDACTED] is exercised.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render any of our plans not viable, or the occurrence of force majeure events, our Directors will carefully evaluate the situation and may reallocate the [REDACTED] from the [REDACTED].

To the extent that the [REDACTED] of the [REDACTED] are not immediately applied to the above purposes, and to the extent permitted by the relevant laws and regulations, we only intend to place such [REDACTED] in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Future Ordinance or the applicable laws and regulations in other jurisdictions). We will make an appropriate announcement if there is any change to the above proposed [REDACTED] or if any amount of the [REDACTED] will be used for general corporate purpose.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

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[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANT’S REPORT

The following is the text of a report set out on pages [I-1] to [I-[3]], received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers]

[draft]

ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF OCTILLION ENERGY HOLDINGS, INC. AND HSBC CORPORATE FINANCE (HONG KONG) LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Octillion Energy Holdings, Inc. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [I-[4]] to [I-[106]], which comprises the consolidated balance sheets as at December 31, 2021, 2022 and 2023 and April 30, 2024, the balance sheets of the company as at December 31, 2021, 2022 and 2023 and April 30, 2024, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [I-[4]] to [I-[106]] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [REDACTED] (the “Document”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

APPENDIX I

ACCOUNTANT’S REPORT

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at December 31, 2021, 2022 and 2023 and April 30, 2024 and the consolidated financial position of the Group as at December 31, 2021, 2022 and 2023 and April 30, 2024 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended April 30, 2023 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board (“IAASB”). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2 to the Historical Financial Information.

APPENDIX I

ACCOUNTANT’S REPORT

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-[4]] have been made.

Dividends

We refer to Note 36 to the Historical Financial Information which states that no dividends have been paid by Octillion Energy Holdings, Inc. in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

[Date]

APPENDIX I

ACCOUNTANT’S REPORT

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (“IAASB”) (“Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended December 31,			Four months ended April 30,	
		2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Revenue	7, 8	2,566,661	5,574,372	3,175,970	505,341	949,399
Cost of revenues	9	(2,333,567)	(5,117,248)	(2,633,894)	(431,301)	(821,433)
Gross profit		<u>233,094</u>	<u>457,124</u>	<u>542,076</u>	<u>74,040</u>	<u>127,966</u>
Selling and marketing expenses	9	(61,544)	(91,284)	(70,852)	(20,805)	(26,494)
Research and development expenses	9	(103,755)	(150,646)	(250,175)	(54,532)	(77,317)
Administrative expenses	9	(88,344)	(96,434)	(145,297)	(32,636)	(62,788)
Net impairment reversal/(losses) on financial assets	3	1,429	707	(11,338)	(1,315)	(305)
Other income	12	7,983	18,441	22,273	6,235	5,668
Other gains/(losses), net	13	1,087	(16,989)	(17,669)	(3,682)	(6,376)
Operating (loss)/profit		<u>(10,050)</u>	<u>120,919</u>	<u>69,018</u>	<u>(32,695)</u>	<u>(39,646)</u>
Changes in the fair value of financial instruments at fair value through profit or loss	11	(11,403)	470	2,362	496	706
Finance income	14	457	7,442	26,103	6,795	10,484
Finance costs	14	(43,887)	(18,427)	(25,656)	(7,889)	(9,894)
Finance (costs)/income, net		<u>(43,430)</u>	<u>(10,985)</u>	<u>447</u>	<u>(1,094)</u>	<u>590</u>
(Loss)/profit before income tax		<u>(64,883)</u>	<u>110,404</u>	<u>71,827</u>	<u>(33,293)</u>	<u>(38,350)</u>
Income tax (expense)/benefit	15	(1,033)	(2,403)	(12,657)	3,865	11,214
(Loss)/profit for the year/period		<u>(65,916)</u>	<u>108,001</u>	<u>59,170</u>	<u>(29,428)</u>	<u>(27,136)</u>
(Loss)/profit for the year/period attributable to:						
Equity owners of the Company		(56,193)	100,633	53,246	(37,995)	(29,117)
Non-controlling interests		(9,723)	7,368	5,924	8,567	1,981

APPENDIX I

ACCOUNTANT’S REPORT

<i>Notes</i>	Year ended December 31,			Four months ended April 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 <i>(Unaudited)</i>	2024 RMB'000
Other comprehensive (loss)/income:					
<i>Items that may be reclassified to profit or loss</i>					
– Currency translation differences	6,213	(21,990)	(4,447)	4,095	(691)
– Net (losses)/gains from changes in fair value of financial assets at fair value through other comprehensive income	(5,553)	1,714	2,835	2,057	478
<i>Items that will not be reclassified to profit or loss</i>					
– Currency translation differences	(4,817)	69,361	13,776	(3,626)	4,241
Other comprehensive (loss)/income for the year/period, net of tax	<u>(4,157)</u>	<u>49,085</u>	<u>12,164</u>	<u>2,526</u>	<u>4,028</u>
Total comprehensive (loss)/income for the year/period	<u>(70,073)</u>	<u>157,086</u>	<u>71,334</u>	<u>(26,902)</u>	<u>(23,108)</u>
Total comprehensive (loss)/income for the year/period attributable to:					
Equity owners of the Company	(60,264)	149,774	65,322	(35,638)	(25,181)
Non-controlling interests	(9,809)	7,312	6,012	8,736	2,073
(Loss)/earnings per share for (loss)/income attributable to the holders of senior ordinary shares and ordinary shares of the Company					
Basic (loss)/earnings per share (RMB)	(1.62)	2.58	1.37	(0.97)	(0.75)
Diluted (loss)/earnings per share (RMB)	(1.62)	2.43	1.28	(0.97)	(0.75)

16

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED BALANCE SHEETS

		As of December 31,			As of
	<i>Notes</i>	2021	2022	2023	April 30,
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	2024
					<i>RMB’000</i>
ASSETS					
Non-current assets					
Property, plant and equipment, net	17	129,598	171,690	281,864	311,677
Right-of-use assets	19	31,774	38,257	32,376	90,979
Intangible assets	18	7,306	6,091	11,061	11,976
Deferred tax assets	21	–	–	15,038	20,096
Other non-current assets	20	11,084	22,405	38,392	48,166
Total non-current assets		<u>179,762</u>	<u>238,443</u>	<u>378,731</u>	<u>482,894</u>
Current assets					
Inventories	25	241,053	565,091	645,543	543,490
Contract assets	8	–	–	7,189	8,695
Prepayments, deposits and other current assets	23	32,967	31,988	101,884	115,272
Trade receivables	24	140,254	982,281	713,614	464,618
Amounts due from related parties	42	218,825	77,220	40,208	134,137
Financial assets at fair value through other comprehensive income	22	511,551	540,264	271,026	356,226
Short-term investments	26	3,210	515,182	642,998	455,923
Restricted cash	27	89,273	104,615	98,811	119,294
Cash and cash equivalents	27	460,787	450,578	450,173	433,037
Total current assets		<u>1,697,920</u>	<u>3,267,219</u>	<u>2,971,446</u>	<u>2,630,692</u>
Total assets		<u><u>1,877,682</u></u>	<u><u>3,505,662</u></u>	<u><u>3,350,177</u></u>	<u><u>3,113,586</u></u>
EQUITY					
Share capital and share premium	28	2,249,033	2,270,516	2,246,864	2,246,864
Other reserves	29	98,420	150,870	212,511	238,893
Accumulated losses		<u>(2,094,655)</u>	<u>(1,994,022)</u>	<u>(1,940,776)</u>	<u>(1,969,893)</u>
Equity attributable to owners of the Company		252,798	427,364	518,599	515,864
Non-controlling interests		<u>(13,240)</u>	<u>18,191</u>	<u>23,705</u>	<u>26,268</u>
Total equity		<u><u>239,558</u></u>	<u><u>445,555</u></u>	<u><u>542,304</u></u>	<u><u>542,132</u></u>

APPENDIX I

ACCOUNTANT’S REPORT

		As of December 31,			As of
	Notes	2021	2022	2023	April 30,
		RMB'000	RMB'000	RMB'000	2024
					RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	34	8,329	3,452	12,157	7,074
Lease liabilities	32	19,655	24,458	23,036	49,162
Deferred government grants	38	9,293	7,588	6,990	6,393
Other non-current liabilities	33	91,615	159,881	162,842	175,219
Total non-current liabilities		<u>128,892</u>	<u>195,379</u>	<u>205,025</u>	<u>237,848</u>
Current liabilities					
Trade and other payables	35	1,387,815	2,590,717	2,274,902	1,972,998
Amounts due to related parties	42	200	3,969	1,147	1,151
Contract liabilities	8	41,090	58,070	28,977	27,965
Current tax liabilities	39	964	1,477	18,579	4,740
Borrowings	34	62,215	189,415	258,934	262,189
Lease liabilities	32	13,088	17,220	16,449	60,703
Deferred government grants	38	3,860	3,860	3,860	3,860
Total current liabilities		<u>1,509,232</u>	<u>2,864,728</u>	<u>2,602,848</u>	<u>2,333,606</u>
Total liabilities		<u>1,638,124</u>	<u>3,060,107</u>	<u>2,807,873</u>	<u>2,571,454</u>
Total equity and liabilities		<u><u>1,877,682</u></u>	<u><u>3,505,662</u></u>	<u><u>3,350,177</u></u>	<u><u>3,113,586</u></u>

APPENDIX I

ACCOUNTANT’S REPORT

BALANCE SHEETS OF THE COMPANY

	<i>Notes</i>	As of December 31,			As of
		2021	2022	2023	April 30,
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	2024
					<i>RMB’000</i>
ASSETS					
Non-current assets					
Investment in subsidiaries	1.2	102,596	106,024	156,591	179,527
Amounts due from related parties	42	342,647	406,457	436,502	458,940
Other non-current assets		1,162	3,255	9,526	6,239
Total non-current assets		<u>446,405</u>	<u>515,736</u>	<u>602,619</u>	<u>644,706</u>
Current assets					
Amounts due from related parties	42	20,433	41,381	–	–
Short-term investments	26	–	–	131,552	24,830
Restricted cash	27	48,695	88,537	49,903	58,007
Cash and cash equivalents	27	367,089	234,274	146,943	222,024
Total current assets		<u>436,217</u>	<u>364,192</u>	<u>328,398</u>	<u>304,861</u>
Total assets		<u><u>882,622</u></u>	<u><u>879,928</u></u>	<u><u>931,017</u></u>	<u><u>949,567</u></u>
EQUITY					
Share capital and share premium	28	2,249,033	2,270,516	2,246,864	2,246,864
Other reserves	29	98,245	170,331	233,657	258,766
Accumulated losses		(1,636,006)	(1,655,980)	(1,670,186)	(1,680,094)
Total equity		<u><u>711,272</u></u>	<u><u>784,867</u></u>	<u><u>810,335</u></u>	<u><u>825,536</u></u>
LIABILITIES					
Non-current liabilities					
Amounts due to a related party	42	155	171	174	174
Total non-current liabilities		<u>155</u>	<u>171</u>	<u>174</u>	<u>174</u>
Current liabilities					
Trade and other payables	35	171,195	94,890	98,391	101,666
Amounts due to a related party	42	–	–	22,117	22,191
Total current liabilities		<u>171,195</u>	<u>94,890</u>	<u>120,508</u>	<u>123,857</u>
Total liabilities		<u>171,350</u>	<u>95,061</u>	<u>120,682</u>	<u>124,031</u>
Total equity and liabilities		<u><u>882,622</u></u>	<u><u>879,928</u></u>	<u><u>931,017</u></u>	<u><u>949,567</u></u>

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<i>Notes</i>	Attributable to owners of the Company					Total (deficit)/ equity RMB'000
		Share capital and share premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000	Non- controlling interests RMB'000	
Balance at January 1, 2021		<u>1,741,766</u>	<u>89,697</u>	<u>(2,038,462)</u>	<u>(206,999)</u>	<u>(3,946)</u>	<u>(210,945)</u>
Loss for the year		-	-	(56,193)	(56,193)	(9,723)	(65,916)
Other comprehensive loss		-	(4,071)	-	(4,071)	(86)	(4,157)
Total comprehensive loss for the year		<u>-</u>	<u>(4,071)</u>	<u>(56,193)</u>	<u>(60,264)</u>	<u>(9,809)</u>	<u>(70,073)</u>
Transaction with owners in their capacity as owners:							
Issuance of Series F Preferred Shares	30	476,203	-	-	476,203	-	476,203
Share surrender by the shareholders	30	(19,551)	-	-	(19,551)	-	(19,551)
Conversion of convertible loan to ordinary shares	37	36,863	-	-	36,863	-	36,863
Share-based payments to the investors in relation to the share modification	30	13,752	-	-	13,752	-	13,752
Employee share schemes – value of employee services	31	-	12,794	-	12,794	515	13,309
Balance at December 31, 2021		<u>2,249,033</u>	<u>98,420</u>	<u>(2,094,655)</u>	<u>252,798</u>	<u>(13,240)</u>	<u>239,558</u>

APPENDIX I

ACCOUNTANT’S REPORT

	<i>Notes</i>	Attributable to owners of the Company					Total equity <i>RMB'000</i>
		Share capital and share premium <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>	Non-controlling interests <i>RMB'000</i>	
Balance at January 1, 2022		<u>2,249,033</u>	<u>98,420</u>	<u>(2,094,655)</u>	<u>252,798</u>	<u>(13,240)</u>	<u>239,558</u>
Profit for the year		-	-	100,633	100,633	7,368	108,001
Other comprehensive income/(loss)		-	49,141	-	49,141	(56)	49,085
Total comprehensive income for the period		<u>-</u>	<u>49,141</u>	<u>100,633</u>	<u>149,774</u>	<u>7,312</u>	<u>157,086</u>
Transaction with owners in their capacity as owners:							
Issuance of Series F Preferred Shares	30	21,145	-	-	21,145	-	21,145
Additional capital injection to a subsidiary		-	-	-	-	24,000	24,000
Issuance of ordinary shares	28	338	-	-	338	-	338
Issuance of additional equity stake by a subsidiary	1.2	-	-	-	-	304	304
Purchase of non-controlling equity interest in a subsidiary	1.2	-	-	-	-	(304)	(304)
Employee share schemes – value of employee services	31	-	3,309	-	3,309	119	3,428
Balance at December 31, 2022		<u>2,270,516</u>	<u>150,870</u>	<u>(1,994,022)</u>	<u>427,364</u>	<u>18,191</u>	<u>445,555</u>

APPENDIX I

ACCOUNTANT’S REPORT

		Attributable to owners of the Company					
		Share capital and share premium	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balance at January 1, 2023		<u>2,270,516</u>	<u>150,870</u>	<u>(1,994,022)</u>	<u>427,364</u>	<u>18,191</u>	<u>445,555</u>
Profit for the year		-	-	53,246	53,246	5,924	59,170
Other comprehensive income		-	12,076	-	12,076	88	12,164
Total comprehensive income for the period		<u>-</u>	<u>12,076</u>	<u>53,246</u>	<u>65,322</u>	<u>6,012</u>	<u>71,334</u>
Transaction with owners in their capacity as owners:							
Repurchase of senior ordinary shares		30	(23,669)	-	(23,669)	-	(23,669)
Exercise of share options		31	17	-	17	-	17
Employee share schemes – value of employee services		31	-	49,565	49,565	1,002	50,567
Dividends paid		36	-	-	-	(1,500)	(1,500)
Balance at December 31, 2023		<u>2,246,864</u>	<u>212,511</u>	<u>(1,940,776)</u>	<u>518,599</u>	<u>23,705</u>	<u>542,304</u>
		Attributable to owners of the Company					
		Share capital and share premium	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(Unaudited)							
Balance at January 1, 2023		<u>2,270,516</u>	<u>150,870</u>	<u>(1,994,022)</u>	<u>427,364</u>	<u>18,191</u>	<u>445,555</u>
Loss for the period		-	-	(37,995)	(37,995)	8,567	(29,428)
Other comprehensive income		-	2,357	-	2,357	169	2,526
Total comprehensive income/(loss) for the period		<u>-</u>	<u>2,357</u>	<u>(37,995)</u>	<u>(35,638)</u>	<u>8,736</u>	<u>(26,902)</u>
Transaction with owners in their capacity as owners:							
Employee share schemes – value of employee services		31	-	368	368	-	368
Balance at April 30, 2023		<u>2,270,516</u>	<u>153,595</u>	<u>(2,032,017)</u>	<u>392,094</u>	<u>26,927</u>	<u>419,021</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Attributable to owners of the Company						
	Notes	Share	Other	Accumulated	Non-	Total	
		capital and share premium					reserves
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1, 2024		<u>2,246,864</u>	<u>212,511</u>	<u>(1,940,776)</u>	<u>518,599</u>	<u>23,705</u>	<u>542,304</u>
Loss for the period		-	-	(29,117)	(29,117)	1,981	(27,136)
Other comprehensive income		-	3,936	-	3,936	92	4,028
Total comprehensive income/(loss) for the period		<u>-</u>	<u>3,936</u>	<u>(29,117)</u>	<u>(25,181)</u>	<u>2,073</u>	<u>(23,108)</u>
Transaction with owners in their capacity as owners:							
Employee share schemes – value of employee services	31	-	22,446	-	22,446	490	22,936
Balance at April 30, 2024		<u>2,246,864</u>	<u>238,893</u>	<u>(1,969,893)</u>	<u>515,864</u>	<u>26,268</u>	<u>542,132</u>

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	Year ended December 31,			Four months ended April 30,	
		2021	2022	2023	2023	2024
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
					<i>(Unaudited)</i>	
Cash flows from operating activities						
Cash generated from/(used in) operations	40	12,945	410,276	(623,455)	(31,220)	(537,337)
Interest received		440	7,442	26,103	6,795	10,484
Income tax paid		(118)	(1,991)	(11,542)	(1,896)	(1,470)
Net cash generated from/(used in) operating activities		<u>13,267</u>	<u>415,727</u>	<u>(608,894)</u>	<u>(26,321)</u>	<u>(528,323)</u>
Cash flows from investing activities						
Payments for short-term investments		(3,210)	(893,244)	(1,302,639)	(272,573)	(222,056)
Proceeds from maturity of short-term investments		–	381,272	1,177,185	332,308	409,836
Payments for property, plant and equipment, intangible assets and other non-current assets		(66,803)	(72,189)	(123,778)	(52,355)	(67,479)
Proceeds from sale of property, plant and equipment and other non-current assets		98	324	705	–	–
Receipt of government grants related to assets		5,000	2,250	–	–	–
Net cash (used in)/ generated from investing activities		<u>(64,915)</u>	<u>(581,587)</u>	<u>(248,527)</u>	<u>7,380</u>	<u>120,301</u>
Cash flows from financing activities						
Proceeds from borrowings		119,275	257,219	332,129	133,761	130,399
Repayment of borrowings		(122,008)	(140,173)	(272,875)	(76,899)	(125,682)
Proceeds from factoring of trade receivables		63,802	94,144	783,374	16,427	405,055
Interest paid		(5,674)	(9,802)	(9,709)	(2,271)	(2,537)
Payment for deposits for borrowings		(12,017)	(101,570)	(2,150)	(551)	(8,052)

APPENDIX I

ACCOUNTANT’S REPORT

	<i>Notes</i>	Year ended December 31,			Four months ended April 30,	
		2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>
					<i>(Unaudited)</i>	
Proceeds from maturities of deposits for borrowings		27,259	67,435	42,285	14,585	–
Proceeds from exercise of share options	31	–	–	17	–	–
Proceeds from issuance of preferred shares		367,296	20,231	23,669	–	–
Payment for the issuance costs of preferred shares		(1,697)	–	–	–	–
Repurchase of senior ordinary shares	30	–	–	(23,669)	–	–
Proceeds from the additional capital injection by the non-controlling shareholder		–	24,000	–	–	–
Proceeds from issuance of additional equity stake by a subsidiary	1.2	–	304	–	–	–
Transactions with non-controlling interests	1.2, 35	–	(78,122)	–	–	–
Proceeds from issuance of ordinary shares	28	–	338	–	–	–
Principal elements of lease payments	19	(5,275)	(7,207)	(11,918)	(3,275)	(4,069)
Payment for [REDACTED] costs		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Payment for dividend		–	–	(1,500)	–	–
Net cash generated from financing activities		<u>429,786</u>	<u>124,367</u>	<u>851,240</u>	<u>80,930</u>	<u>389,795</u>
Net increase/(decrease) in cash and cash equivalents		378,138	(41,493)	(6,181)	61,989	(18,227)
Cash and cash equivalents at the beginning of the financial year/period		81,640	460,787	450,578	450,578	450,173
Effects of exchange rate changes on cash and cash equivalents		1,009	31,284	5,776	(1,682)	1,091
Cash and cash equivalents at end of year/period		<u><u>460,787</u></u>	<u><u>450,578</u></u>	<u><u>450,173</u></u>	<u><u>510,885</u></u>	<u><u>433,037</u></u>

APPENDIX I

ACCOUNTANT’S REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANIZATION, AND BASIS OF PRESENTATION

1.1 General information

Octillion Energy Holdings, Inc. (“Octillion” or the “Company”) was incorporated in the Cayman Islands on October 30, 2009 as an exempted company with limited liability under the Companies Act (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is at PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company, its subsidiaries, the consolidated variable interest entity (the “VIE”) and the VIE’s subsidiaries are collectively referred to as the “Group.” The Group is an independent battery system supplier for electric vehicles (“EVs”) in the People’s Republic of China (“PRC”), with operations in India and the United States. The primary businesses of the Group include the design, manufacturing and sales of the tailor-made EV battery systems, energy storage solutions and Battery Management Systems (“BMS”) (the “[REDACTED] Business”).

1.2 Reorganization

In preparing for the [REDACTED] (“[REDACTED]”) and [REDACTED] of the Company’s share on the Main Board of the Stock Exchange of Hong Kong Limited (the “[REDACTED]”), the Group underwent a reorganization (the “Reorganization”) pursuant to which the variable interest entity structure was terminated.

In June 2017, Octillion (Hefei) Powertrain Technology Co., Ltd. (“Octillion Miyuan”) entered into a series of contractual agreements among SinoEV (Hefei) Powertrain Technology Co., Ltd. (“Octillion Hefei”) and its legal shareholders that provided the Company with effective control over Octillion Hefei (the “Contractual Arrangements”). Management concluded that Octillion Hefei is a variable interest entity of the Company, and the Company is the ultimate primary beneficiary of Octillion Hefei and shall consolidate the financial results of Octillion Hefei in the Group’s consolidated financial statements.

In June 2022, a new shareholder acquired 1% of newly issued equity interest of Octillion Hefei with a cash consideration of RMB304 thousand. In July 2022, Octillion Miyuan, Octillion Hefei and its legal shareholders agreed to terminate all the other Contractual Arrangements, pursuant to which, Octillion Hefei’s legal shareholders should repay RMB30,440 thousand loan to Octillion Miyuan, and simultaneously, Octillion Miyuan, should acquire 100% equity interest of Octillion Hefei from its legal shareholders at a consideration of RMB30,440 thousand. It was also agreed that such purchase consideration and the aforementioned loan repayment were net settled. As a result, Octillion Hefei became a wholly owned subsidiary of the Company from July 2022. In September 2022, the new shareholder acquired 2,689 ordinary shares of the Company with a cash consideration of US\$47,609, which was equivalent to RMB338 thousand.

Upon the completion of the Reorganization and as at the date of this report, particulars of the Company’s subsidiaries, the VIE and the VIE’s subsidiaries as at the date of this report and during the Track Record Period are as follows:

Company name	Place and date of incorporation and kind of legal entity	Issued and paid-up capital	Principal activities and place of operation	Attributable equity interests of the Group					Note
				As at December 31,		As at		As at date of this report	
				2021	2022	2023	April 30, 2024		
Directly held									
Octillion Power Systems, Inc. (“Octillion US”)	United States, October 30, 2009, limited liability company	US\$1	Supply battery systems for electric vehicles, vessels, and energy storage solution, etc. and related hardware and software in US	100%	100%	100%	100%	100%	(b)

APPENDIX I

ACCOUNTANT’S REPORT

Company name	Place and date of incorporation and kind of legal entity	Issued and paid-up capital	Principal activities and place of operation	Attributable equity interests of the Group					Note	
				As at December 31, 2021	2022	2023	As at April 30, 2024	As at date of this report		
SinoEV (Changzhou) Powertrain Technologies Co., Ltd. (“SinoEV Changzhou”)	Jiangsu, PRC, January 23, 2013 till August 12, 2021, limited liability company	RMB60,532,000	Engineering, design, development and manufacturing of battery systems for electric vehicles, vessels, and energy storage solutions, etc. and related hardware and software in Mainland China	N/A	N/A	N/A	N/A	N/A	(f)	
Octillion Hong Kong Limited (“Octillion HK”)	Hong Kong, PRC, June 2, 2016, limited liability company	–	Investment holding in Hong Kong and Mainland China	100%	100%	100%	100%	100%	(g)	
Indirectly held										
Octillion Miyuan	Anhui, PRC, October 21, 2016, limited liability company	RMB10,000,000	Investment holding, research and development in Mainland China	100%	100%	100%	100%	100%	(c)	
Octillion Power Systems India Private Limited (“Octillion India”)	India, December 19, 2017, limited liability company	INR50,000,000	Supply battery systems and battery packs for electric vehicles and related hardware and software in India	100%	100%	100%	100%	100%	(h)	
Octillion Energy (Hefei) Powertrain Technology Co., Ltd. (“Octillion Energy”)	Anhui, PRC, August 24, 2018, limited liability company	USD25,000,000	Purchase of raw materials, equipment and tooling in Mainland China	100%	100%	100%	100%	100%	(c)	
Shanghai Octillion Technology Co., Ltd. (“Octillion Shanghai”)	Shanghai, PRC, March 15, 2023, limited liability company	RMB1,000,000	Intra-group capital pool management in Mainland China	N/A	N/A	100%	100%	100%	(i)	
VIE (before July 2022) and indirectly held (starting from July 2022)										
SinoEV (Hefei) Powertrain Technology Co., Ltd. (“Octillion Hefei”)	Anhui, PRC, April 19, 2010, limited liability company	RMB157,800,000	Engineering, design, development and manufacturing of battery systems for electric vehicles, vessels, and energy storage solutions, etc. and related hardware and software in Mainland China	100%	100%	100%	100%	100%	(c)	

APPENDIX I

ACCOUNTANT’S REPORT

Company name	Place and date of incorporation and kind of legal entity	Issued and paid-up capital	Principal activities and place of operation	Attributable equity interests of the Group					Note
				As at December 31, 2021	2022	2023	As of April 30, 2024	As at date of this report	
VIE’s subsidiaries (before July 2022) and indirectly held (starting from July 2022)									
Anhui JAC SinoEV Battery System Co., Ltd. (“Octillion JV”)	Anhui, PRC, February 27, 2017, limited liability company	RMB60,000,000	Engineering, design, development and manufacturing of battery systems for electric vehicles, and related hardware and software in Mainland China	50%	50%	50%	50%	50%	(d), (j)
JAC SinoEV (Anqing) Battery System Co., Ltd. (“Octillion Anqing”)	Anhui, PRC, November 22, 2019, limited liability company	RMB25,000,000	Engineering, design, development and manufacturing of battery systems for electric vehicles, and related hardware and software in Mainland China	50%	50%	50%	50%	50%	(d), (k)
Liuzhou SinoEV New Energy Technology Co., Ltd. (“Octillion Liuzhou”)	Guangxi, PRC June 16, 2021, limited liability company	RMB30,000,000	Engineering, design, development and manufacturing of battery systems for electric vehicles, and related hardware and software in Mainland China	100%	100%	100%	100%	100%	(e)

- (a) All companies comprising the Group have adopted December 31, as their financial year end date.
- (b) No audited financial statements have been prepared for Octillion US as there are no statutory audit requirements during the years ended December 31, 2021, 2022 and 2023 under the rules and regulations in the place of registration.
- (c) The audited financial statements of these companies for the years ended December 31, 2021 were audited by PricewaterhouseCoopers Zhong Tian LLP, Certified Public Accountants in the PRC. The audited financial statements of these companies for the years ended December 31, 2022 and 2023 were audited by KPMG Huazhen LLP, Certified Public Accountants in the PRC.
- (d) The audited financial statements of these companies for the years ended December 31, 2021, 2022 and 2023 were audited by Rongcheng LLP, Certified Public Accountants in the PRC.
- (e) The audited financial statements of Octillion Liuzhou for the period from June 16, 2021 (the date of incorporation) to December 31, 2021 were audited by Runcheng LLP, Certified Public Accountants in the PRC. The audited financial statements of Octillion Liuzhou for the years ended December 31, 2022 and 2023 were audited by KPMG Huazhen LLP, Certified Public Accountants in the PRC.
- (f) No audited financial statements of SinoEV Changzhou have been prepared for the period from January 1, 2021 to August 12, 2021, the date of SinoEV Changzhou’s liquidation.
- (g) The audited financial statements of Octillion HK for the years ended December 31, 2021, 2022 and 2023 were audited by OCG CPA Limited, Certified Public Accountants in Hong Kong, China.

APPENDIX I

ACCOUNTANT’S REPORT

- (h) The audited financial statements of Octillion India for the years ended December 31, 2021 and 2022 were audited by Ahuja Valecha & Associates LLP, Certified Public Accountants in India. The financial statements of Octillion India for the year ended December 31, 2023 have not yet been issued as at the date of this report.
- (i) The audited financial statements of Octillion Shanghai for the period from March 15, 2023 (the date of incorporation) to December 31, 2023 were audited by KPMG Huazhen LLP, Certified Public Accountants in the PRC.
- (j) Octillion JV was set up by Octillion Hefei and Anhui Jianghuai Automobile Group Corp., Ltd. (Anhui JAC Group). Octillion Hefei holds 50% equity interests of Octillion JV. Subject to the joint venture agreement and the articles of association of Octillion JV, Octillion Hefei has the majority voting rights in the Board of Directors, can direct the decision making in the shareholder’s meeting, has the right to nominate General Managers and responsible for the operation and management of Octillion JV. Therefore Octillion Hefei has the control over Octillion JV.
- (k) The Group consolidated Octillion Anqing indirectly through Octillion JV.

1.3 Basis of presentation

Immediately prior to the Reorganization, the [REDACTED] Business is mainly conducted through the VIE and the VIE’s subsidiaries which were consolidated into the Group. Pursuant to the Reorganization, the variable interest entity structure was terminated, the VIE and the VIE’s subsidiaries were transferred to the Group, and became the wholly owned subsidiaries of the Company.

The Reorganization is merely a restructuring within the Group and does not result in any changes in business substance. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the [REDACTED] Business under the VIE and the VIE’s subsidiaries, and, for the purpose of this report, the Historical Financial Information of the Company now comprising the Group is presented using the carrying value of the [REDACTED] Business for all periods presented as if the Reorganization has been completed before the Track Record Period.

2 SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Summary of material accounting policies

(a) Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with IFRS Accounting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets at fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVPL”) which are carried at fair value.

The preparation of Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 6.

The Historical Financial Information has been prepared based on the consolidated financial statements of the Group. Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on consolidation.

APPENDIX I

ACCOUNTANT’S REPORT

Changes in accounting policy and disclosures

(1) New and amended standards adopted by the Group

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning before January 1, 2025, are consistently applied to the Group for the Track Record Period.

(2) New standards and interpretations not yet adopted

New standards, amendments to standards and interpretations that have been issued but are not yet effective and have not been early adopted by the Group during the Track Record Period are as follows:

	Effective for annual periods beginning on or after
Amendments to IAS 21 ‘Lack of exchangeability’	January 1, 2025
IFRS 9 and IFRS 7 (Amendment) ‘Amendments to the Classification and Measurement of Financial Instruments’	January 1, 2026
IFRS 18 ‘Presentation and Disclosure in Financial Statements’	January 1, 2027
IFRS 19 ‘Subsidiaries without Public Accountability: Disclosures’	January 1, 2027
Amendments to IFRS 10 and IAS 28 ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined

The Directors have performed assessment on the new standards and amendments, and has concluded on a preliminary basis that these new standards and amendments would not have a significant impact on the Group’s consolidated financial statements when they become effective.

(b) *Subsidiaries*

(1) *Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with policies adopted by the Group.

For the Company’s subsidiaries, the VIE and the VIE’s subsidiaries, non-controlling interests are recognized to reflect the portion of their equity that is not attributable, directly or indirectly, to the Company as the controlling shareholder. Non-controlling interests are classified as a separate line item in the equity section of the Group’s Consolidated Balance Sheets and have been separately disclosed in the Group’s Consolidated Statements of Comprehensive Income and Consolidated Statements of Changes in Equity to distinguish the interests from that of the Company.

APPENDIX I

ACCOUNTANT’S REPORT

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations not under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income (“OCI”) in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in OCI are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS.

APPENDIX I

ACCOUNTANT’S REPORT

(2) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

(3) *Subsidiaries controlled through Contractual Arrangements*

Octillion Miyuan, the wholly-owned subsidiary of the Company, or the WFOE, had entered into the Contractual Arrangements among Octillion Hefei and its legal shareholders, which enabled the WFOE and the Group to:

- exercise power to direct the VIE and VIE’s subsidiaries’ relevant activities;
- exercise equity holders’ voting rights of the VIE and VIE’s subsidiaries;
- receive substantially all of the economic interest returns generated by the VIE and VIE’s subsidiaries, in consideration for the business support by the WFOE, at the WFOE’s discretion;
- obtain an irrevocable and exclusive right to purchase all equity interests in SinoEV Hefei from its registered equity holders at a nominal consideration unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. Where the purchase consideration is required by the relevant government authorities to be an amount other than a nominal amount, the registered equity holders of Octillion Hefei shall return the amount of purchase consideration they have received to the WFOE. At the WFOE’s request, the registered equity holders of Octillion Hefei will promptly and unconditionally transfer their respective equity interests in Octillion Hefei to the WFOE (or its designee within the Group) after the WFOE exercises its purchase right; and
- obtain a pledge over the entire ownership interests of Octillion Hefei from its registered equity holders to secure performance of their obligations under the Contractual Arrangements.

As a result of the Contractual Arrangements, the Company had rights to exercise power over the VIE and the VIE’s subsidiaries, received variable returns from its involvement with the VIE and the VIE’s subsidiaries, and had the ability to affect those returns through its power over the VIE and the VIE’s subsidiaries. Therefore, the Company was considered to control the VIE and the VIE’s subsidiaries. Consequently, the Company regarded the VIE and the VIE’s subsidiaries as controlled structured entities and consolidated the financial positions and results of operations of these entities in the consolidated financial statements of the Group.

Upon the Reorganization as disclosed in Note 1.2, from July 2022, Octillion Hefei became a wholly owned subsidiary of the Group.

(c) *Financial assets*

(1) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

APPENDIX I

ACCOUNTANT’S REPORT

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

See Note 22 for details of each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(2) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(3) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into the following measurement category:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss within “Other gains/(losses), net” when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest method.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in “Other gains/(losses), net.” Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in “Other gains/(losses), net” and impairment expenses are presented as separate line item in the Consolidated Statements of Comprehensive Income.

FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within “Other gains/(losses), net” in the period in which it arises.

(4) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount is reported in the Consolidated Balance Sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

APPENDIX I

ACCOUNTANT’S REPORT

(5) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at a amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, trade receivable factoring and notes receivables which are measured at FVOCI, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition.

Impairment on other receivables and amounts due from related parties are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(d) Inventories

Inventories, mainly consisting of raw materials, work in progress and finished goods, are stated at the lower of cost and net realizable value (“NRV”). Cost comprises direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure. Costs are assigned to individual items of inventory on a first-in-first-out basis. Costs of purchased inventory are determined after deducting rebates and discounts. NRV is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(e) Trade receivables

Trade receivables are amounts due from customers for products sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

(f) Sale and leaseback arrangement

The Group entered into sale and leaseback agreements with leasing companies that the Group has the option to repurchase the equipment. As the lessee, the Group assesses and determines whether the assets transferred in the sale and leaseback arrangement constitute sales according to IFRS 15, “Revenue from contracts with customers.”

If the assets transferred in the sale and leaseback arrangement constitute sales, the Group will measure the assets according to the part of the original assets book value related to the right-of-use assets obtained from the leaseback, and only recognize the relevant gains or losses on the rights transferred to the lessor.

If the assets transferred in the sale and leaseback arrangement don’t constitute sales, the Group will continue to recognize the assets transferred and the transaction should be accounted for as a secured borrowing equaling to the transfer income.

(g) Product warranties and customer service actions

The Group provides standard warranties on some, but not all, of its products. The Group accrues a warranty reserve for the products sold, which includes the Group’s best estimate of the projected costs to repair or replace items under warranty. Provisions of the warranties are measured at the present value of management’s best estimates at the end of the reporting period. Costs associated with product warranties and customer service actions are charged to cost of sales in the Consolidated Statements of Comprehensive Income. The portion of the reserve expected to be incurred within the next 12 months is included within trade and other payables while the remaining balance is included within other non-current liabilities in the Consolidated Balance Sheets.

APPENDIX I

ACCOUNTANT'S REPORT

(h) Convertible loan

The Company issued convertible loan to an investor with no interest. The convertible loan could be converted into the Company's ordinary shares at investor's option at any time prior to the maturity. As the conversion feature does not meet fixed-for-fixed requirements, the convertible loan does not meet equity classification. In addition, the conversion feature is not closely related to the host contract, the convertible loan is considered as having a debt instrument host and an embedded derivative which is not closely related to the debt host. The Company elects to designate the whole convertible loan as a financial liability at FVPL which is initially recognized at fair value and the transaction costs related to the issuance are recognized in the profit or loss as incurred. Subsequent to initial recognition, the convertible loan is measured at fair value with changes in fair value recognized in the profit or loss, except that the fair value change due to the own credit risk presented in the OCI.

(i) Convertible preferred shares

During the Track Record Period, the Company issued Series F Convertible Preferred Shares ("Series F Preferred Shares") to its investors. Refer to the details in Notes 30.

The Series F Preferred Shares issued by the Company are not redeemable at the option of the holders and can be converted into ordinary shares of the Company at any time at the option of the holders or automatically converted into ordinary shares upon occurrence of an [REDACTED] of the Company.

When determine whether a financial instrument is a financial liability or an equity instrument, the instrument is an equity instrument if, and only if, both conditions are met: a) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer; b) if the instrument will or may be settled in the issuer's own equity instruments. The Series F Preferred Shares are concluded as an equity instrument and accounted for as an equity in its entirety.

(j) Share capital

Ordinary shares and senior ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(k) Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(1) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries, the VIE and the VIE's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(2) Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

APPENDIX I

ACCOUNTANT'S REPORT

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available to utilize those temporary differences and losses.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(3) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively.

(1) *Share-based payments*

(1) *Equity-settled share-based payment transaction*

The Group operates share incentive plan, under which it receives services from employees, directors and consultants who have contributed or will contribute to the Group as consideration for equity instruments of the Group. The fair value of the services received in exchange for the grant of the equity instruments is recognized as an expense in the Consolidated Statements of Comprehensive Income with a corresponding increase in equity.

In terms of the options, the total amount to be expensed is determined by reference to the fair value of equity instruments granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-marketing performance and service conditions are included in calculation of the number of options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the Consolidated Statements of Comprehensive Income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

(2) *Share-based payment transaction among group entities*

The grant by the Company of options over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

APPENDIX I

ACCOUNTANT'S REPORT

(m) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(n) Revenue recognition

Income is classified by the Group as revenue when it arises from the sales of goods, or the provision of services in the ordinary course of the Group's business.

The Group's revenue includes the sales of EV battery system (with or without procurement of battery cells), the sales of energy storage solutions, BMS and materials, and the rendering of EV battery system engineering services. Provision of selling each EV pack, energy storage solutions or BMS is the only performance obligation in the contracts as the product warranty is assurance-type warranty. Transaction price is based on the fixed unit price agreed upon with the customers and the quantity of products specified on the purchase orders.

(1) Sales of EV battery system with procurement of battery cells

Sales of EV battery system with procurement of battery cells includes revenues related to deliveries of the full EV packs to automobile manufacturers. The Group is responsible to purchase the battery cells and other components from third-party suppliers to manufacture full EV packs. The Group controls all purchased components and provides significant design and integration work to transform battery cells and other components into full EV packs, and is primarily responsible for fulfilling the obligations in the contracts, including providing the full EV packs to customers' specification, accepting responsibility for the quality or suitability of the products, providing the subsequent support and repair for the full EV packs. Accordingly, the Group is the principal with respect of the provision of the EV packs and presents revenue from sales of EV battery system with procurement of battery cells on a gross basis. Revenue is recognized upon acceptance by customers.

(2) Sales of EV battery system without procurement of battery cells

The Group also provides the EV packs without procurement of battery cells to battery cell manufacturers or automobile manufacturers. For the arrangements with battery cell manufacturers, the Group provides manufacturing services of the EV packs for the battery cell manufacturers who provides their own battery cells for processing. For the arrangements with automobile manufacturers, the automobile manufacturers are responsible to purchase the battery cells from third parties and provide such battery cells to the Group for the manufacturing of the EV pack. The Group does not purchase the battery cells from the battery cell manufacturers or the automobile manufacturers, and the performance obligation of the Group is combining and integrating such third-party customers' battery cells with other non-cell components purchased by the Group into a full EV pack. The Group records revenue from these arrangements based on the amount of the agreed fee. Revenue is recognized upon acceptance by customers.

(3) Other sales

(i) Sales of energy storage solutions, BMS and materials

The Group sells energy storage solutions, BMS and materials to customers. Revenue is recognized upon acceptance by customers.

(ii) EV battery system engineering services

The Group provides EV battery system engineering services to its existing customers or potential customers on a standalone basis and charges for fees. EV battery system engineering service is the only performance obligation with fixed price in the contract. Revenue is recognized over time using input method (cost-to-cost) as cost incurred depicts the Company's performance toward satisfying its service obligation.

APPENDIX I

ACCOUNTANT'S REPORT

(o) *Contract assets*

A contract asset is the Group's right to consideration in exchange for goods that the Group has transferred to the customer. A contract asset becomes a receivable when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due.

(p) *Contract liabilities*

A contract liability is recorded when the Group's obligation to transfer goods to a customer has not yet occurred but for which the Group has received consideration from the customer. The Group presents such advances from customers as contract liabilities on the Consolidated Balance Sheets.

(q) *Earnings per share*

(1) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares and senior ordinary shares
- by the weighted average number of ordinary shares and senior ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares and senior ordinary shares issued during the year and excluding treasury shares.

(2) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(r) *Leases*

The Group leases properties for operation. Rental contracts are typically made for fixed periods of 1 to 5 years with no extension option. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

APPENDIX I

ACCOUNTANT’S REPORT

2.2 Summary of other accounting policies

(a) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors that makes strategic decisions. The Group does not distinguish between markets for the purpose of making decisions about resources allocation and performance assessment. Hence, the Group has only one operating segment and one reportable segment. Most of the revenues and substantially all tangible long-lived assets are within China.

(b) Foreign currency translation

(1) Functional and presentation currency

Items included in the financial information of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currencies of the Company and its subsidiaries incorporated outside of Mainland China are US dollar (“USD”) or Indian Rupee (“INR”), while the functional currencies of the Company’s subsidiaries, the VIE and the VIE’s subsidiaries established in Mainland China are Renminbi (“RMB”). As the major business of the Group are within Mainland China, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statements of Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings are presented in the Consolidated Statements of Comprehensive Income, within “Finance costs.” All other foreign exchange gains and losses are presented in the Consolidated Statements of Comprehensive Income on a net basis within “Other gains/(losses), net.”

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognized in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at FVOCI are recognized in OCI.

(3) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting currency translation differences are recognized in OCI.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in OCI. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

APPENDIX I

ACCOUNTANT'S REPORT

(c) Property, plant and equipment

Property, plant and equipment ("PP&E") is stated at historical cost less depreciation. Historical cost includes the expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of PP&E is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Estimated useful lives
- Furniture, fittings and equipment	3 – 5 years
- Machinery and vehicles	5 – 10 years
- Leasehold improvements	Shorter of remaining term of the lease and the estimated useful lives of assets

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.2(e)).

Gains and losses on disposals of PP&E are determined by comparing proceeds with carrying amount and are recognized in "Other gains/(losses), net" in the Consolidated Statements of Comprehensive Income.

Construction in progress ("CIP") represents leasehold improvements and production line under construction. CIP is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition, and capitalized costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in above.

(d) Intangible assets

Intangible assets represent the computer software purchased from a third party. They are initially recognized and measured at cost. Intangible assets are amortized over their estimated useful lives (generally 5 years) using the straight-line method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

Research and development expenses

The Group recognized costs associated with the Group's research as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique projects controlled by the Group are recognized as intangible assets when the following criteria are met: (i) it is technically feasible to complete the project so that it will be available for use, (ii) the management intends to complete the project and use or sell it, (iii) there is an ability to use or sell the project, (iv) it can be demonstrated how the project will generate probable future economic benefits, (v) adequate technical, financial, and other resources to complete the development, and to use or sell the project are available, and (vi) the expenditure attributable to the project during its development can be reliably measured.

Other development costs that do not meet these criteria are recognized as an expense as incurred. The Group has no development costs meeting these criteria and capitalized as intangible assets during the Track Record Period.

Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Capitalized development costs are amortized from the point at which the assets are ready for use on a straight-line basis over their useful lives.

APPENDIX I

ACCOUNTANT'S REPORT

(e) Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Restricted cash

Restricted cash include bank deposits for borrowings, bank notes, and other deposits with original maturities of three months or less. Most of restricted cash are restricted by bank for bank notes and bank borrowings. Restricted cash are recognized at amortized cost due to their insignificant risk of changes in value.

(h) Short-term investments

Short-term investments represent i) time deposits with a fixed interest rate placed with banks with original maturities between three months and one year. Interest earned is recorded as interest income in the Consolidated Statements of Comprehensive Income during the years presented, and ii) Bank wealth management products with a variable interest rate indexed to the performance of underlying assets within one year measured at fair value, the fair value changes are reflected as changes in the fair value of financial instruments at fair value through profit or loss in the Consolidated Statements of Comprehensive Income during the years presented.

(i) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(j) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the Consolidated Balance Sheets when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

APPENDIX I

ACCOUNTANT'S REPORT

(k) Borrowing cost

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized, until such time as the assets is substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

(l) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

(m) Employee benefits

(1) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations, which are included in trade and other payables in the Consolidated Balance Sheets.

(2) Pension and social obligations

The Group companies operate various defined contribution plan in accordance with the local conditions and practices in which they operate. Defined contribution plans are pensions and the other social benefit plans under which the Group pay fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as labor costs when they are due.

(3) Bonus entitlements

The expected cost of bonus payments is recognized as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(4) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(5) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

APPENDIX I

ACCOUNTANT’S REPORT

(n) Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortized cost calculated using the effective interest method is recognized in Consolidated Statements of Comprehensive Income as part of finance income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(o) Government grants

Grants from government are recognized at their fair value where there is a reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (mainly including foreign exchange risk), credit risk and liquidity risk. The overall risk management program of the Group focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance of the Group.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when recognized assets and liabilities are denominated in a currency that is not the Group entities’ functional currency. The functional currency of the Company is USD whereas functional currencies of its subsidiaries, the VIE and the VIE’s subsidiaries operate in Mainland China, Hong Kong, the United States and India are RMB, USD, USD and INR, respectively. The Group manages its foreign exchange risk by performing regular reviews of the Group’s net foreign exchange exposures and tries to minimize these exposures wherever possible.

For the Group’s subsidiaries in Mainland China, the VIE and the VIE’s subsidiaries whose functional currency is RMB, if USD had strengthened or weakened by 5% against the RMB with all other variables held constant, the (loss)/profit before income tax for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024 would have been approximately RMB1,474 thousand higher/lower, RMB1,222 thousand higher/lower, RMB161 thousand higher/lower, RMB1,511 thousand lower/higher and RMB528 thousand lower/higher, respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets.

For the Group’s subsidiary in India, whose functional currency is INR, if USD had strengthened or weakened by 5% against the INR with all other variables held constant, the (loss)/profit before income tax for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024 would have been approximately RMB1,310 thousand higher/lower, RMB2,961 thousand lower/higher, RMB1,531 thousand lower/higher, RMB14,529 thousand higher/lower and RMB2,418 thousand higher/lower, respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets.

APPENDIX I

ACCOUNTANT’S REPORT

As of December 31, 2021, 2022 and 2023 and April 30, 2024, the Group’s major monetary assets and liabilities that exposed to foreign exchange risk are listed below:

The USD denominated assets and liabilities held by the entities whose functional currency are RMB

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB’000	RMB’000	RMB’000	2024
Cash and cash equivalents	18,542	38,467	23,394	14,227
Trade receivables	10,377	32,856	34,233	42,322
Amounts due from inter-companies	2,761	28,677	199	9,142
Trade payables	–	4,498	4,873	5,005
Amounts due to inter-companies	61,154	71,053	49,740	71,236

The USD denominated assets and liabilities held by the entity whose functional currency is INR

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB’000	RMB’000	RMB’000	2024
Cash	–	–	8	–
Trade payables	–	16,177	4,675	4
Amounts due to inter-companies	26,190	43,037	25,954	48,365

(b) Credit risk

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, short-term investments, trade receivables, contract assets, financial assets at FVOCI and other receivables. The carrying amounts of each class of the above financial assets represent the Group’s maximum exposure to credit risk in relation to financial assets.

(i) Credit risk of cash and cash equivalents, restricted cash and short-term investments

To manage this risk arising from cash and cash equivalents, restricted cash and short-term investments, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to nil.

(ii) Credit risk of trade receivables, amounts due from related parties, contract assets and financial assets at FVOCI

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables, amounts due from related parties, contract assets, trade receivable factoring and notes receivables which are measured at FVOCI. To measure the expected credit losses, trade receivable, amounts due from related parties, contract assets, trade receivable factoring and notes receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of at least 36 months before the balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the financial assets.

APPENDIX I

ACCOUNTANT’S REPORT

Net impairment reversal/(losses) on financial assets were reversal of RMB1,429 thousand, reversal of RMB707 thousand, losses of RMB11,338 thousand, losses of RMB1,315 thousand, and losses of RMB305 thousand, respectively, for the years end December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024.

The following table summarized customers with balances greater than 10% of trade receivables and amounts due from related parties:

	As of December 31,			As of
	2021	2022	2023	April 30, 2024
Customer A**	32%	46%	25%	16%
Customer B**	51%	*	*	22%
Customer C	*	36%	20%	15%
Customer E**	*	*	18%	*

* less than 10%

** Customer A, Customer B and Customer E represent the customer and its subsidiaries.

(iii) *Credit risk of other financial assets at amortized cost*

The Group’s other financial assets carried at amortized cost mainly comprise advance to employees and deposits. The Group considers the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counter party’s ability to meet its obligations;
- actual or expected significant changes in the operating results of the counter party;
- significant changes in the expected performance and behavior of the counter party, including changes in the payment status of the counter party.

As at December 31, 2021, 2022 and 2023 and April 30, 2024, there was no significant increase in credit risk since initial recognition. The Group assessed that the expected credit losses for these financial assets within the next 12 months are not material.

The following table summarized the party with balances greater than 10% of other financial assets at amortized cost.

	As of December 31,			As of
	2021	2022	2023	April 30, 2024
Supplier A*	*	*	35%	33%

* less than 10%

APPENDIX I

ACCOUNTANT’S REPORT

(c) *Liquidity risk*

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through adequate committed credit facilities and external financings. The Group’s primary cash requirements are for payments for purchase of PP&E, purchases of inventories, payments for operating expenses, capital injections into subsidiaries, and unexpected cash outflow due to other unforeseen crisis.

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations, borrowings from financial institutions and financing from investors.

The cash and cash equivalents, short-term investments, financial assets at FVOCI, trade receivables, contract assets and other current assets (excluding prepayments) held by the Group are expected to readily generate cash inflows for managing liquidity risk.

As at April 30, 2024, the Group had net current assets of RMB297,086 thousand. With the consideration of anticipated operation cash inflows, and the ability of adjusting the pace of its operation expansion and expenditures, the Directors are of the opinion that the Group has sufficient cash flows in the near future to manage the liquidity risks.

The table below analyzes the Group’s non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheets date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB’000	Between 1 and 2 years RMB’000	Between 2 and 5 years RMB’000	More than 5 years RMB’000	Total RMB’000
At December 31, 2021					
Borrowings	63,919	8,733	–	–	72,652
Trade and other payables (excluding salaries and welfare payables, tax payables, product warranty and customer service actions and provision for potential dispute)	1,258,009	–	–	–	1,258,009
Other non-current liabilities (excluding product warranty and customer service actions)	–	–	–	25,198	25,198
Amounts due to related parties	200	–	–	–	200
Lease liabilities	14,291	11,483	9,180	–	34,954
	<u>1,336,419</u>	<u>20,216</u>	<u>9,180</u>	<u>25,198</u>	<u>1,391,013</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Less than 1 year RMB’000	Between 1 and 2 years RMB’000	Between 2 and 5 years RMB’000	More than 5 years RMB’000	Total RMB’000
At December 31, 2022					
Borrowings	248,756	3,531	–	–	252,287
Trade and other payables (excluding salaries and welfare payables, tax payables, product warranty and customer service actions and provision for potential dispute)	2,429,411	–	–	–	2,429,411
Other non-current liabilities (excluding product warranty and customer service actions)	–	–	1,213	32,632	33,845
Amounts due to related parties	3,969	–	–	–	3,969
Lease liabilities	18,358	13,420	13,756	–	45,534
	<u>2,700,494</u>	<u>16,951</u>	<u>14,969</u>	<u>32,632</u>	<u>2,765,046</u>
	Less than 1 year RMB’000	Between 1 and 2 years RMB’000	Between 2 and 5 years RMB’000	More than 5 years RMB’000	Total RMB’000
At December 31, 2023					
Borrowings	263,876	12,496	–	–	276,372
Trade and other payables (excluding salaries and welfare payables, tax payables, product warranty and customer service actions, and provision for potential dispute)	2,068,021	–	–	–	2,068,021
Other non-current liabilities (excluding product warranty and customer service actions)	–	–	9,975	16,992	26,967
Amounts due to related parties	1,147	–	–	–	1,147
Lease liabilities	18,514	10,366	15,295	–	44,175
	<u>2,351,558</u>	<u>22,862</u>	<u>25,270</u>	<u>16,992</u>	<u>2,416,682</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Less than 1 year RMB’000	Between 1 and 2 years RMB’000	Between 2 and 5 years RMB’000	More than 5 years RMB’000	Total RMB’000
At April 30, 2024					
Borrowings	265,372	7,174	–	–	272,546
Trade and other payables (excluding salaries and welfare payables, tax payables, product warranty and customer service actions, and provision for potential dispute)	1,814,805	–	–	–	1,814,805
Other non-current liabilities (excluding product warranty and customer service actions)	–	–	9,975	17,608	27,583
Amounts due to related parties	1,151	–	–	–	1,151
Lease liabilities	65,222	33,377	18,685	–	117,284
	<u>2,146,550</u>	<u>40,551</u>	<u>28,660</u>	<u>17,608</u>	<u>2,233,369</u>

As at December 31, 2021, 2022 and 2023 and April 30, 2024, the Group did not have derivative financial liability.

4 CAPITAL MANAGEMENT

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for owners and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of debt asset ratio. This ratio is calculated as total liabilities divided by total assets.

The debt asset ratios at December 31, 2021, 2022 and 2023 and April 30, 2024 were as follows:

	As of December 31,			As of April 30,
	2021	2022	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total liabilities	1,638,124	3,060,107	2,807,873	2,571,454
Total assets	1,877,682	3,505,662	3,350,177	3,113,586
Ratio	<u>87%</u>	<u>87%</u>	<u>84%</u>	<u>83%</u>

APPENDIX I

ACCOUNTANT’S REPORT

5 FAIR VALUE ESTIMATION

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements.

The table below analyzes the Group’s financial instruments carried at fair value as of December 31, 2021, 2022 and 2023 and April 30, 2024, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group’s assets and liabilities that are measured at fair value as of December 31, 2021, 2022 and 2023 and April 30, 2024.

	Level 1 <i>RMB’000</i>	Level 2 <i>RMB’000</i>	Level 3 <i>RMB’000</i>	Total <i>RMB’000</i>
As of December 31, 2021				
Financial assets				
Financial assets at fair value through other comprehensive income	–	511,551	–	511,551
	<u>–</u>	<u>511,551</u>	<u>–</u>	<u>511,551</u>
	Level 1 <i>RMB’000</i>	Level 2 <i>RMB’000</i>	Level 3 <i>RMB’000</i>	Total <i>RMB’000</i>
As of December 31, 2022				
Financial assets				
Financial assets at fair value through other comprehensive income	–	540,264	–	540,264
	<u>–</u>	<u>540,264</u>	<u>–</u>	<u>540,264</u>
	Level 1 <i>RMB’000</i>	Level 2 <i>RMB’000</i>	Level 3 <i>RMB’000</i>	Total <i>RMB’000</i>
As of December 31, 2023				
Financial assets				
Financial assets at fair value through profit or loss – Short-term investments	–	100,290	–	100,290
Financial assets at fair value through other comprehensive income	–	271,026	–	271,026
	<u>–</u>	<u>271,026</u>	<u>–</u>	<u>271,026</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As of April 30, 2024				
Financial assets				
Financial assets at fair value through profit or loss – Short-term investments	–	65,375	–	65,375
Financial assets at fair value through other comprehensive income	–	356,226	–	356,226
	<u>–</u>	<u>356,226</u>	<u>–</u>	<u>356,226</u>

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in level 2.

Level 2 instruments are measured at fair value with reference to discounted cash flow. Future cash flows are estimated based on contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate and expected volatility, etc.

Level 3 instruments of the Group’s assets and liabilities include convertible loan measured at FVPL.

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the instruments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group’s level 3 instruments. External valuation experts are involved when necessary.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024.

APPENDIX I

ACCOUNTANT’S REPORT

The following tables present the movement of level 3 instruments during the Track Record Period:

	Convertible loan <i>RMB’000</i>
At January 1, 2021	
Net book amount	26,192
Year ended December 31, 2021	
Fair value losses recognized in profit or loss (<i>Note 11</i>)	11,403
Foreign currency translation	(732)
Converted into ordinary shares (<i>Note 37</i>)	(36,863)
At December 31, 2021	
	—

The carrying amounts of the Group’s financial assets that are not measured at fair value, including cash and cash equivalents, restricted cash, short-term investments, amounts due from related parties, trade receivables, contract assets, other receivables and the Group’s financial liabilities that are not measured at fair value, including trade and other payables (excluding salaries and welfare payables, tax payables and product warranty and customer service actions), borrowings, lease liabilities and amounts due to related parties approximate their fair values due to short maturities or the interest rates are close to the market interest rates.

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Fair value of financial instruments

Fair value of financial instruments, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are disclosed in Note 5.

(b) Share-based compensation expenses

The fair values of share options granted are measured on the respective grant dates based on the fair value of the underlying shares. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group or, where applicable, if the performance conditions for vesting will be met at the end of the vesting period. The Group only recognizes an expense for those share options expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expenses.

(c) Current and deferred income taxes

The Group’s operating subsidiaries, the VIE and the VIE’s subsidiaries in Mainland China are subject to Enterprise Income Tax. Significant judgment is required in determining the deferred tax relating to certain temporary differences and tax losses in various jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes assets or liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

APPENDIX I

ACCOUNTANT’S REPORT

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred income tax assets could be recovered. Deferred tax assets are recognized based on the Group’s estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

(d) Inventories

Inventories are stated at the lower of cost (first-in-first-out basis) and NRV, with NRV being the “estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.” The Group estimates the recoverability for such finished goods and work-in-progress based primarily upon the latest invoice prices and current market conditions. If the NRV of an inventory item is determined to be below its carrying value, the Group records a write-down to cost of sales for the difference between the carrying cost and NRV.

(e) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected credit loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details are disclosed in Note 3.1(b).

(f) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Track Record Period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(g) Product warranty and customer service actions

The Group provides standard warranties on some, but not all, of its products. The Group accrues a warranty reserve for the products sold, which includes the Group’s best estimate of the projected costs to repair or replace items under warranty. These estimates are established using historical information about the nature, frequency and average cost of warranty claim settlements as well as product manufacturing and industry developments and recoveries from third parties.

7 SEGMENT INFORMATION

Operating segments are defined as components of the Group engaging in businesses activities for which separate financial information is available that is regularly evaluated by the Group’s chief operating decision makers in deciding how to allocate resources and assess performance. The Group’s chief operating decision maker has been identified as the Chief Executive Officer, who reviews consolidated results including revenue, gross profit and operating profit at a consolidated level only. The Group does not distinguish between markets for the purpose of making decisions about resources allocation and performance assessment. Hence, the Group has only one operating segment and one reportable segment.

APPENDIX I

ACCOUNTANT’S REPORT

Revenue for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024 are as follows:

	Year ended December 31,						Four months ended April 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(Unaudited)</i>									
Mainland										
China	2,496,910	97%	5,443,993	98%	2,289,185	72%	394,589	78%	532,117	56%
India	56,733	2%	90,178	1%	824,817	26%	101,118	20%	397,234	42%
US	13,018	1%	40,201	1%	61,968	2%	9,634	2%	20,048	2%
	<u>2,566,661</u>	<u>100%</u>	<u>5,574,372</u>	<u>100%</u>	<u>3,175,970</u>	<u>100%</u>	<u>505,341</u>	<u>100%</u>	<u>949,399</u>	<u>100%</u>

Tangible and intangible long-lived assets (including ROU) as at December 31, 2021, 2022 and 2023 and April 30, 2024 are as follows:

	As of December 31,						As of April 30,	
	2021		2022		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Mainland China	163,043	97%	198,396	92%	249,575	77%	321,859	78%
India	2,417	1%	14,945	7%	71,693	22%	89,197	21%
US	3,218	2%	2,697	1%	4,033	1%	3,576	1%
	<u>168,678</u>	<u>100%</u>	<u>216,038</u>	<u>100%</u>	<u>325,301</u>	<u>100%</u>	<u>414,632</u>	<u>100%</u>

8 REVENUES

(a) Disaggregation of revenue from contracts with customers

The Company generates revenue through the following main product lines:

	Year ended December 31,						Four months ended April 30,	
	2021		2022		2023		2024	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	<i>(Unaudited)</i>							
Sales of EV battery system								
– with procurement of battery cells	2,222,321	4,481,370	1,931,612	342,956	515,017			
– without procurement of battery cells	302,908	1,066,423	1,147,784	137,232	389,667			
Others	41,432	26,579	96,574	25,153	44,715			
	<u>2,566,661</u>	<u>5,574,372</u>	<u>3,175,970</u>	<u>505,341</u>	<u>949,399</u>			

APPENDIX I

ACCOUNTANT’S REPORT

	Year ended December 31,			Four months ended April 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000	2024 RMB'000
				<i>(Unaudited)</i>	
Recognized at a point in time					
– Sales of EV battery system					
– with procurement of battery cells	2,222,321	4,481,370	1,931,612	342,956	515,017
– without procurement of battery cells	302,908	1,066,423	1,147,784	137,232	389,667
– Others	17,703	15,423	77,478	17,361	31,937
Recognized over time					
– Others – EV battery system engineering services	23,729	11,156	19,096	7,792	12,778
	<u>2,566,661</u>	<u>5,574,372</u>	<u>3,175,970</u>	<u>505,341</u>	<u>949,399</u>

The customers which contributed over 10% of the total revenue of the Group for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024 are listed as below:

	Year ended December 31,			Four months ended April 30,	
	2021 %	2022 %	2023 %	2023 %	2024 %
				<i>(Unaudited)</i>	
Customer A**	48%	46%	19%	10%	20%
Customer B**	34%	31%	26%	50%	14%
Customer C	11%	17%	11%	*	12%
Customer D**	*	*	25%	21%	40%

* less than 10%

** Customer A, Customer B and Customer D include respective customers and their subsidiaries.

(b) Assets and liabilities related to contracts with customers

Contract assets

The Group has recognized the following assets and liabilities related to contracts with customers:

	As of December 31,			As of
	2021 RMB'000	2022 RMB'000	2023 RMB'000	April 30, 2024 RMB'000
Contract assets	–	–	7,788	9,528
Less: allowance for impairment	–	–	(599)	(833)
	<u>–</u>	<u>–</u>	<u>7,189</u>	<u>8,695</u>

APPENDIX I

ACCOUNTANT’S REPORT

The expected credit loss provision of contract assets for which credit loss provision has been assessed by portfolios is as follows:

	As of December 31, 2023		
	Carrying amount	Expected credit loss rate	Credit loss provision
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>
Undue	7,788	7.69%	(599)

	As of April 30, 2024		
	Carrying amount	Expected credit loss rate	Credit loss provision
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>
Undue	9,528	8.74%	(833)

Movements on the Group’s allowance for impairment of contract assets are as follows:

	Year ended December 31, 2023	Four months ended April 30, 2024
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year/period	–	(599)
Provision	(599)	(234)
At the end of the year/period	(599)	(833)

Contract liabilities

	As of December 31,			As of April 30,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities	41,090	58,070	28,977	27,965

The products and services the Group rendered are mainly less than one year, the Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts.

The Group has recognized the liabilities related to contracts with customers as contract liabilities as of December 31, 2021, 2022 and 2023 and April 30, 2024 of approximately RMB41,090 thousand, RMB58,070 thousand, RMB28,977 thousand and RMB27,965 thousand, respectively. The contract liabilities comprise of the prepayments received from customers, to which products or services have not been transferred. Revenue recognized that was included in the contract liabilities balance at the beginning of the year/period was RMB64,301 thousand, RMB23,890 thousand, RMB36,784 thousand, RMB15,318 thousand and RMB4,741 thousand for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024, respectively.

APPENDIX I

ACCOUNTANT’S REPORT

9 EXPENSES BY NATURE

The expenses of the Group are classified as follows:

	Year ended December 31,			Four months ended April 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Changes in inventories of finished goods and work in progress	102,396	(162,319)	52,705	113,234	33,022
Raw materials and consumables used	2,061,811	4,944,215	2,304,797	261,486	708,517
(Reversal of)/provision for impairment of inventories (Note 25)	(2,781)	14,705	35,410	(1,766)	89
Product warranties	50,202	80,761	51,007	906	488
Employee benefits expenses (Note 10)	140,370	202,187	280,796	82,589	99,170
Outsourcing labor fee	56,220	104,911	59,132	6,035	26,021
Share-based expenses for re-designation of ordinary shares to senior ordinary shares (Note 30)	13,752	–	–	–	–
Share-based expenses for Series F Convertible preferred shares (Note 30)	–	914	–	–	–
Freight expenses	34,475	60,822	36,526	12,794	11,639
Office expenses	31,033	42,187	49,277	13,508	18,114
Utilities	9,812	15,259	16,748	2,942	5,469
Design and development expenses	23,367	44,648	83,133	13,214	19,571
Professional service expenses	12,073	10,257	19,993	2,340	6,456
Auditors’ remuneration	771	428	506	104	156
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Depreciation of PP&E	21,515	29,725	38,927	11,500	16,725
Amortization of right-of-use assets	11,433	18,246	23,123	7,214	18,081
Amortization of intangible assets	2,160	2,858	3,307	997	1,215
Amortization of long-term prepaid expenses	345	1,278	2,832	859	927
Tax surcharges	6,827	17,871	9,741	1,831	2,994
Others	2,235	9,218	8,630	2,962	3,346
	<u>2,587,210</u>	<u>5,455,612</u>	<u>3,100,218</u>	<u>539,274</u>	<u>988,032</u>

APPENDIX I

ACCOUNTANT’S REPORT

10 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS’ EMOLUMENTS)

	Year ended December 31,			Four months ended April 30,	
	2021 <i>RMB’000</i>	2022 <i>RMB’000</i>	2023 <i>RMB’000</i>	2023 <i>RMB’000</i>	2024 <i>RMB’000</i>
Salaries, wages and bonuses	110,564	168,704	181,329	68,991	64,303
Contributions to pension plans (a)	5,572	9,562	20,065	5,992	5,206
Social security costs, housing benefits and other expenses (b)	10,925	20,493	28,835	7,238	6,725
Share-based compensation (Note 31)	13,309	3,428	50,567	368	22,936
	<u>140,370</u>	<u>202,187</u>	<u>280,796</u>	<u>82,589</u>	<u>99,170</u>

(a) Pensions

As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its employees in the PRC. According to the rules and regulations, the Group is required to contribute 16% to 20% of the salaries of the employees, subject to certain ceiling and has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

No forfeited contributions were available and utilized by the Group to reduce its future pension contributions during the Track Record Period.

(b) Housing funds, medical insurance and other social welfare contributions

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance, unemployment insurance and other employee social insurance plan. According to the rules and regulations, the Group is required to contribute on a monthly basis to these funds based on approximately 21% to 24% of the salaries of the employees, subject to certain ceiling.

The Group’s liability in respect of these funds is limited to the contributions payable in each period.

APPENDIX I

ACCOUNTANT’S REPORT

(c) Benefits and interests of directors

The remuneration of each director of the Company paid/payable by the Group for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024 are set out as follows:

	Salaries and wages <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Social security costs and housing benefits <i>RMB'000</i>	Contributions to pension plan <i>RMB'000</i>	Share-based compensation <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended						
December 31, 2021						
Executive Directors						
Peng Zhou (Chief Executive Officer)	1,230	–	178	75	6,633	8,116
Ieng Kit Leung	821	160	–	–	60	1,041
Non-executive Directors						
Tina Lin-chi Ju	–	–	–	–	–	–
Alan Anlan Song	–	–	–	–	–	–
Enqiang Wang	–	–	–	–	–	–
Independent Director						
Chengwei Xiao	248	–	–	–	9	257
	<u>2,299</u>	<u>160</u>	<u>178</u>	<u>75</u>	<u>6,702</u>	<u>9,414</u>

	Salaries and wages <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Social security costs and housing benefits <i>RMB'000</i>	Contributions to pension plan <i>RMB'000</i>	Share-based compensation <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended						
December 31, 2022						
Executive Directors						
Peng Zhou (Chief Executive Officer)	1,499	–	158	112	1,844	3,613
Ieng Kit Leung	784	322	–	–	–	1,106
Non-executive Directors						
Tina Lin-chi Ju	–	–	–	–	–	–
Alan Anlan Song	–	–	–	–	–	–
Enqiang Wang	–	–	–	–	–	–
Independent Director						
Chengwei Xiao	258	–	–	–	17	275
	<u>2,541</u>	<u>322</u>	<u>158</u>	<u>112</u>	<u>1,861</u>	<u>4,994</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Salaries and wages <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Social security costs and housing benefits <i>RMB'000</i>	Contributions to pension plan <i>RMB'000</i>	Share-based compensation <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended						
December 31, 2023						
Executive Directors						
Peng Zhou (Chief Executive Officer)	1,712	–	199	141	26,006	28,058
Ieng Kit Leung (<i>a</i>)	359	42	–	–	–	401
Yang Wang (<i>b</i>)	887	283	104	68	5,755	7,097
Non-executive Directors						
Jochem Peter Heizmann (<i>c</i>)	382	–	–	–	–	382
Alfred Tsai Chu (<i>d</i>)	–	–	–	–	–	–
Tina Lin-chi Ju	–	–	–	–	–	–
Alan Anlan Song (<i>e</i>)	–	–	–	–	–	–
Enqiang Wang (<i>f</i>)	–	–	–	–	–	–
Independent Director						
Chengwei Xiao	271	–	–	–	–	271
	<u>3,611</u>	<u>325</u>	<u>303</u>	<u>209</u>	<u>31,761</u>	<u>36,209</u>

	Salaries and wages <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Social security costs and housing benefits <i>RMB'000</i>	Contributions to pension plan <i>RMB'000</i>	Share-based compensation <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)						
For the four months ended						
April 30, 2023						
Executive Directors						
Peng Zhou (Chief Executive Officer)	564	–	57	35	406	1,062
Ieng Kit Leung	264	7	–	–	–	271
Non-executive Directors						
Tina Lin-chi Ju	–	–	–	–	–	–
Alan Anlan Song	–	–	–	–	–	–
Enqiang Wang	–	–	–	–	–	–
Independent Director						
Chengwei Xiao	88	–	–	–	–	88
	<u>916</u>	<u>7</u>	<u>57</u>	<u>35</u>	<u>406</u>	<u>1,421</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Salaries and wages <i>RMB’000</i>	Discretionary bonus <i>RMB’000</i>	Social security costs and housing benefits <i>RMB’000</i>	Contributions to pension plan <i>RMB’000</i>	Share-based compensation <i>RMB’000</i>	Total <i>RMB’000</i>
For the four months ended						
April 30, 2024						
Executive Directors						
Peng Zhou (Chief Executive Officer)	647	1	69	43	16,379	17,139
Yang Wang	948	1	70	84	3,659	4,762
Non-executive Directors						
Jochem Peter Heizmann	237	–	–	–	–	237
Alfred Tsai Chu	237	–	–	–	–	237
Tina Lin-chi Ju	237	–	–	–	–	237
Independent Director						
Chengwei Xiao	237	–	–	–	–	237
	<u>2,543</u>	<u>2</u>	<u>139</u>	<u>127</u>	<u>20,038</u>	<u>22,849</u>

Notes:

- (a) Ieng Kit Leung resigned from the Board of Directors of the Company in June 2023.
- (b) Yang Wang was appointed in June 2023.
- (c) Jochem Peter Heizmann was appointed in June 2023.
- (d) Alfred Tsai Chu was appointed in June 2023.
- (e) Alan Anlan Song resigned from the Board of Directors of the Company in June 2023.
- (f) Enqiang Wang resigned from the Board of Directors of the Company in October 2023.

Directors’ retirement benefits and termination benefits

None of the directors received any retirement benefits or termination benefits during the Track Record Period except Peng Zhou and Yang Wang.

Consideration provided to third parties for making available directors’ services

During the Track Record Period, the Group did not pay consideration to any third parties for making available directors’ services.

Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and controlled entities with such directors

There are no loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and controlled entities with such directors during the Track Record Period.

Directors’ material interest in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group’s business in which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the Track Record Period.

APPENDIX I

ACCOUNTANT’S REPORT

(d) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group for the Track Record Period included one director of the Group for the years ended December 31, 2021 and 2022 and the four months ended April 30, 2023, and included two directors of the Group for year ended December 31, 2023 and the four months ended April 30, 2024. Details of the remunerations of the remaining highest paid individuals are set out as below:

	Year ended December 31,			Four months ended April 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Salaries, wages and bonuses	7,358	6,928	8,270	2,607	2,020
Social security costs and housing benefits	260	303	320	140	143
Contributions to pension benefits	258	313	161	146	100
Share-based compensation	543	49	701	21	365
	<u>8,419</u>	<u>7,593</u>	<u>9,452</u>	<u>2,914</u>	<u>2,628</u>

The emoluments fell within the following bands:

Emolument bands	Number of individuals			Four months ended April 30,	
	2021	2022	2023	2023	2024
				<i>(Unaudited)</i>	
HKD0 – HKD499,999	–	–	–	1	1
HKD500,000 – HKD999,999	–	–	–	2	2
HKD1,000,000 – HKD1,499,999	–	–	–	1	–
HKD1,500,000 – HKD1,999,999	1	2	1	–	–
HKD2,000,000 – HKD2,499,999	–	1	–	–	–
HKD2,500,000 – HKD2,999,999	3	1	1	–	–
HKD3,000,000 – HKD3,499,999	–	–	–	–	–
HKD3,500,000 – HKD3,999,999	–	–	–	–	–
HKD4,000,000 – HKD4,499,999	–	–	–	–	–
HKD4,500,000 – HKD4,999,999	–	–	–	–	–
HKD5,000,000 – HKD5,499,999	–	–	–	–	–
HKD5,500,000– HKD5,999,999	–	–	1	–	–
	<u>4</u>	<u>4</u>	<u>3</u>	<u>4</u>	<u>3</u>

APPENDIX I

ACCOUNTANT’S REPORT

11 CHANGES IN THE FAIR VALUE OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended December 31,			Four months ended April 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000	2024 RMB'000
				<i>(Unaudited)</i>	
Changes in the fair value (loss)/gain of					
– Convertible loan (Note 37)	(11,403)	–	–	–	–
– Bank wealth management products	–	470	2,362	496	706
	<u>(11,403)</u>	<u>470</u>	<u>2,362</u>	<u>496</u>	<u>706</u>

12 OTHER INCOME

	Year ended December 31,			Four months ended April 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000	2024 RMB'000
				<i>(Unaudited)</i>	
Government grants (i)	<u>7,983</u>	<u>18,441</u>	<u>22,273</u>	<u>6,235</u>	<u>5,668</u>

(i) There are no unfulfilled conditions or other contingencies attaching to these grants.

13 OTHER GAINS/(LOSSES), NET

	Year ended December 31,			Four months ended April 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000	2024 RMB'000
				<i>(Unaudited)</i>	
Penalty income for overdue payment for the proceeds of Series E preferred shares	6,853	–	–	–	–
Loss on factoring of trade receivables without recourse	(4,313)	(953)	–	–	–
Loss on discount of notes receivable	(773)	(4,956)	(5,967)	(2,469)	(2,127)
Gain on disposal of wastes	750	893	1,309	267	190
Net foreign exchange losses	(247)	(9,777)	(10,121)	(1,382)	(3,741)
Net (losses)/gains on disposal of property, plant and equipment	(519)	(2,312)	(3,004)	(65)	85
Others	<u>(664)</u>	<u>116</u>	<u>114</u>	<u>(33)</u>	<u>(783)</u>
	<u>1,087</u>	<u>(16,989)</u>	<u>(17,669)</u>	<u>(3,682)</u>	<u>(6,376)</u>

APPENDIX I

ACCOUNTANT’S REPORT

14 FINANCE (COSTS)/INCOME, NET

	Year ended December 31,			Four months ended April 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 <i>(Unaudited)</i>	2024 RMB'000
<i>Finance income</i>					
Interest income from bank deposits	457	7,442	26,103	6,795	10,484
<i>Finance costs</i>					
Interest expenses on borrowings	(36,106)	(9,219)	(12,939)	(4,217)	(3,669)
Interest expenses on payables to the non-controlling shareholders of SinoEV Changzhou <i>(Note 35)</i>	(3,198)	(2,093)	–	–	–
Interest expenses on government grants payables <i>(Note 35)</i>	(631)	(631)	(631)	(210)	(210)
Interest expenses on lease liabilities	(1,321)	(2,062)	(2,471)	(481)	(1,990)
Interest expenses on other non-current liabilities	(2,631)	(4,422)	(9,615)	(2,981)	(4,025)
	<u>(43,887)</u>	<u>(18,427)</u>	<u>(25,656)</u>	<u>(7,889)</u>	<u>(9,894)</u>
Net finance (costs)/income	<u><u>(43,430)</u></u>	<u><u>(10,985)</u></u>	<u><u>447</u></u>	<u><u>(1,094)</u></u>	<u><u>590</u></u>

15 INCOME TAX

Cayman Islands

Under the current laws of the Cayman Islands, companies incorporated in the Cayman Islands are not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

The Company’s subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax under the two-tiered profits tax regime, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million. There was no assessable profit for the subsidiaries incorporated in Hong Kong during the Track Record Period.

India

The corporate income tax in India was at the rates of 25.17% on the assessable profits, based on the existing legislation, interpretations and practices in respect thereof during the Track Record Period.

APPENDIX I

ACCOUNTANT’S REPORT

United States

The Company’s subsidiary through its operations in State of California, Massachusetts, and Oregon are subject to U.S. federal corporate income tax at 21%, California corporate income tax at 8.84%, Massachusetts corporate excise tax at 8%, and Oregon corporate income tax at 6.6%. As U.S. state income tax is deductible for computation of federal taxable income, the blended tax rate of the Company’s subsidiary is 27.89% during the Track Record Period.

The U.S. tax also includes GILTI provisions imposing the US corporate income tax on foreign income in excess of a deemed return on tangible assets of controlled foreign corporations, “CFCs”, subject to the possible use of foreign tax credits and a deduction equal to 50% to offset the income tax liability for the Track Record Period, subject to certain limitations.

PRC corporate income tax (“CIT”)

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the Track Record Period.

According to the relevant laws and regulations promulgated by the State Tax Bureau of the PRC, enterprises engaging in research and development activities are entitled to claim their research and development expenses at the proportion of 175% from 2018 onwards (subsequently raised to 200% from 2021 onwards) incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”). The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the Track Record Period.

Under the CIT Law enacted by the National People’s Congress of PRC on March 16, 2007, preferential tax treatments are granted to entities which conduct businesses in certain encouraged sectors and to entities otherwise classified as “High and New Technology Enterprises” (“HNTE”). Octillion Hefei has been qualified as a HNTE subject to a preferential tax rate of 15% since 2016, which is subject to review every three years. In 2019 and 2022, Octillion Hefei has renewed its qualification as a HNTE continuously with 15% preferential tax rate valid from 2019 through 2024. In 2022, Octillion JV has been qualified as a HNTE subject to a preferential tax rate of 15% valid through 2024. In addition, Octillion Liuzhou was designated by the relevant local authorities as an “Encouraged Industrial Enterprise Located in the Western Region,” subject to a preferential tax rate of 15% since 2021 till 2030.

The Group’s other PRC subsidiaries and the VIE’s subsidiaries are subject to the statutory income tax rate of 25%.

Withholding tax

The CIT law also imposes a withholding income tax of 10% on dividends distributed by an foreign investment enterprise (“FIE”), to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement.

According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% if foreign investors directly hold at least 25% shares of invested enterprises at any time throughout the 12-month period preceding the entitlement to the dividends and they are also qualified as beneficial owners to enjoy the treaty benefit.

Pursuant to the tax regulations in India, the dividends paid by Indian companies to non-resident companies are at the withholding tax rate of 20% plus surcharge and cess or treaty rate, whichever is beneficial.

The Company expects to indefinitely reinvest undistributed earnings generated from its PRC and India subsidiaries. As a result, no deferred tax liability was provided on the outside basis difference from undistributed earnings.

APPENDIX I

ACCOUNTANT’S REPORT

The income tax expense/(benefit) of the Group for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024 is as follows:

	Year ended December 31,			Four months ended April 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Current tax	1,033	2,403	27,695	424	(6,156)
Deferred tax	–	–	(15,038)	(4,289)	(5,058)
Income tax expense/(benefit)	1,033	2,403	12,657	(3,865)	(11,214)

The tax on the Group’s (loss)/profit before income tax differs from the theoretical amount that would arise using the tax rate of 25% for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024, being the statutory income tax rate of the major subsidiaries of the Group as follows:

	Year ended December 31,			Four months ended April 30,	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
(Loss)/profit before income tax	(64,883)	110,404	71,827	(33,293)	(38,350)
Tax calculated at statutory income tax rate of 25% in Mainland China	(16,221)	27,601	17,957	(8,323)	(9,588)
Tax effects of:					
Preferential income tax rates	(5,659)	(15,245)	(6,891)	2,397	(3,961)
Tax rates differences in different jurisdictions	19,959	5,179	15,492	429	7,426
Expenses not deductible for income tax purposes (a)	4,634	633	1,403	422	141
Super Deduction for research and development expenses (b)	(11,285)	(19,290)	(21,043)	(5,635)	(8,335)
Tax losses for which no deferred income tax assets were recognized	9,437	4,231	14,124	13,486	2,825
Temporary differences for which no deferred income tax assets were recognized (c)	18,232	22,128	12,516	7,110	16,680
Utilization of previously unrecognized deductible temporary differences	(9,343)	(5,785)	(7,308)	(11,475)	(15,317)
Previously unrecognized tax losses utilized to reduce current tax expense	(8,729)	(17,058)	(19,770)	(2,276)	(1,452)
Tax on foreign earnings (US tax legislation – GILTI)	–	–	6,046	–	–
US state tax (d)	8	9	131	–	367
Total income tax expense/(benefit)	1,033	2,403	12,657	(3,865)	(11,214)

APPENDIX I

ACCOUNTANT’S REPORT

(a) Expenses not deductible for income tax purposes

It mainly refers to the tax adjustment of expenses not related to business operations, such as labor union funds, business entertainment expenses, fines, late fees, investment loss and share-based compensation.

(b) Super Deduction for research and development expenses

According to the tax law, on the basis of the actual amount of research and development expenses incurred in the development of new technologies, new products and new processes, the research and development expenses that do not form intangible assets shall be calculated and deducted at the proportion of 175% from 2018 onwards (subsequently raised to 200% from 2021 onwards), which shall be used as a tax preferential policy for the deduction amount when calculating the taxable income.

(c) Temporary differences for which no deferred income tax assets were recognized

This item mainly includes the impact of write-downs of inventories, net impairment (losses)/reversal on financial assets, accrued expenses and product warranties. The Group assessed the likelihood of utilization of such deferred tax assets according to its forecasts and business plans and concluded that no deferred tax assets were recognized on such temporary differences.

(d) US state tax

U.S. state tax refers to the general term of U.S. state government tax, which must be paid whether there are profits or not.

16 BASIC (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024 are calculated by dividing the (loss)/profit attributable to the holders of senior ordinary shares and ordinary share of the Company by the weighted average number of senior ordinary shares and ordinary shares in issue during the year/period.

	Year ended December 31,			Four months ended April 30,	
	2021	2022	2023	2023	2024
				(Unaudited)	
(Loss)/profit attributable to equity owners of the Company (RMB'000)	(56,193)	100,633	53,246	(37,995)	(29,117)
Less: (Loss)/profit attributable to preferred shareholders of the Company (RMB'000)	(56)	11,125	6,028	(4,276)	(3,313)
(Loss)/profit attributable to the holders of senior ordinary shares and ordinary shares of the Company (RMB'000)	(56,137)	89,508	47,218	(33,719)	(25,804)
Weighted average number of senior ordinary shares and ordinary shares in issue	34,692,789	34,693,474	34,461,745	34,695,478	34,273,105
Basic (loss)/earnings per share (RMB)	(1.62)	2.58	1.37	(0.97)	(0.75)

APPENDIX I

ACCOUNTANT’S REPORT

(b) Diluted (loss)/earnings per share

For the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024, the Company had potential ordinary shares, including options granted and convertible preferred shares. As the Group incurred losses for the year ended December 31, 2021 and the four months ended April 30, 2023 and 2024, these potential ordinary shares were anti-dilutive and excluded from the calculation of diluted losses per share of the Company.

	Year ended December 31,			Four months ended April 30,	
	2021	2022	2023	2023	2024
				<i>(Unaudited)</i>	
(Loss)/profit used in calculating basic (loss)/earnings per share (RMB'000)	(56,137)	89,508	47,218	(33,719)	(25,804)
Add: (Loss)/profit attributable to preferred shareholders of the Company (RMB'000)	<u>(56)</u>	<u>11,125</u>	<u>6,028</u>	<u>(4,276)</u>	<u>(3,313)</u>
(Loss)/profit used in calculating diluted (loss)/earnings per share (RMB'000)	<u>(56,193)</u>	<u>100,633</u>	<u>53,246</u>	<u>(37,995)</u>	<u>(29,117)</u>
Weighted average number of senior ordinary shares and ordinary shares in issue	<u>34,692,789</u>	<u>34,693,474</u>	<u>34,461,745</u>	<u>34,695,478</u>	<u>34,273,105</u>
Add: Weighted average number of ordinary shares assuming conversion of all preferred shares	34,768	4,311,854	4,399,618	4,399,618	4,399,618
Adjustment for the number of share options	<u>–</u>	<u>2,421,131</u>	<u>2,741,114</u>	<u>–</u>	<u>–</u>
Weighted average number of senior ordinary shares, ordinary shares and potential ordinary shares in calculating diluted earnings per share	<u>34,727,557</u>	<u>41,426,459</u>	<u>41,602,477</u>	<u>39,095,096</u>	<u>38,672,723</u>
Diluted (loss)/earnings per share (RMB)	<u>(1.62)</u>	<u>2.43</u>	<u>1.28</u>	<u>(0.97)</u>	<u>(0.75)</u>

APPENDIX I

ACCOUNTANT’S REPORT

17 PROPERTY, PLANT AND EQUIPMENT, NET

	Furniture, fittings and equipment <i>RMB'000</i>	Machinery and vehicles <i>RMB'000</i>	CIP <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2021					
Cost	35,229	122,735	5,938	11,865	175,767
Accumulated depreciation	(22,953)	(50,707)	–	(11,113)	(84,773)
Net book amount	<u>12,276</u>	<u>72,028</u>	<u>5,938</u>	<u>752</u>	<u>90,994</u>
Year ended December 31, 2021					
Opening net book amount	12,276	72,028	5,938	752	90,994
Additions	6,061	1,011	52,196	1,469	60,737
Disposal	(123)	(463)	–	(32)	(618)
Transfers	3,757	4,145	(7,902)	–	–
Depreciation	(8,636)	(12,321)	–	(558)	(21,515)
Closing net book amount	<u>13,335</u>	<u>64,400</u>	<u>50,232</u>	<u>1,631</u>	<u>129,598</u>
At December 31, 2021					
Cost	44,661	126,118	50,232	13,206	234,217
Accumulated depreciation	(31,326)	(61,718)	–	(11,575)	(104,619)
Net book amount	<u>13,335</u>	<u>64,400</u>	<u>50,232</u>	<u>1,631</u>	<u>129,598</u>
At January 1, 2022					
Cost	44,661	126,118	50,232	13,206	234,217
Accumulated depreciation	(31,326)	(61,718)	–	(11,575)	(104,619)
Net book amount	<u>13,335</u>	<u>64,400</u>	<u>50,232</u>	<u>1,631</u>	<u>129,598</u>
Year ended December 31, 2022					
Opening net book amount	13,335	64,400	50,232	1,631	129,598
Additions	3,000	3,871	57,063	10,616	74,550
Disposal	(30)	(2,703)	–	–	(2,733)
Transfers	18,995	48,172	(67,167)	–	–
Depreciation	(11,509)	(15,592)	–	(2,624)	(29,725)
Closing net book amount	<u>23,791</u>	<u>98,148</u>	<u>40,128</u>	<u>9,623</u>	<u>171,690</u>
At December 31, 2022					
Cost	66,346	163,908	40,128	23,823	294,205
Accumulated depreciation	(42,555)	(65,760)	–	(14,200)	(122,515)
Net book amount	<u>23,791</u>	<u>98,148</u>	<u>40,128</u>	<u>9,623</u>	<u>171,690</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Furniture, fittings and equipment	Machinery and vehicles	CIP	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2023					
Cost	66,346	163,908	40,128	23,823	294,205
Accumulated depreciation	(42,555)	(65,760)	–	(14,200)	(122,515)
Net book amount	<u>23,791</u>	<u>98,148</u>	<u>40,128</u>	<u>9,623</u>	<u>171,690</u>
Year ended December 31, 2023					
Opening net book amount	23,791	98,148	40,128	9,623	171,690
Additions	6,201	19,991	119,235	5,916	151,343
Disposal	(1,460)	(782)	–	–	(2,242)
Transfers	13,101	67,977	(81,078)	–	–
Depreciation	(12,964)	(20,811)	–	(5,152)	(38,927)
Closing net book amount	<u>28,669</u>	<u>164,523</u>	<u>78,285</u>	<u>10,387</u>	<u>281,864</u>
At December 31, 2023					
Cost	84,188	251,094	78,285	29,739	443,306
Accumulated depreciation	(55,519)	(86,571)	–	(19,352)	(161,442)
Net book amount	<u>28,669</u>	<u>164,523</u>	<u>78,285</u>	<u>10,387</u>	<u>281,864</u>
(Unaudited)					
At January 1, 2023					
Cost	66,346	163,908	40,128	23,823	294,205
Accumulated depreciation	(42,555)	(65,760)	–	(14,200)	(122,515)
Net book amount	<u>23,791</u>	<u>98,148</u>	<u>40,128</u>	<u>9,623</u>	<u>171,690</u>
Four months ended April 30, 2023					
Opening net book amount	23,791	98,148	40,128	9,623	171,690
Additions	237	445	36,338	642	37,662
Disposal	(62)	(79)	–	–	(141)
Transfers	3,342	31,499	(34,841)	–	–
Depreciation	(3,949)	(6,172)	–	(1,379)	(11,500)
Closing net book amount	<u>23,359</u>	<u>123,841</u>	<u>41,625</u>	<u>8,886</u>	<u>197,711</u>
At April 30, 2023					
Cost	69,863	195,773	41,625	24,465	331,726
Accumulated depreciation	(46,504)	(71,932)	–	(15,579)	(134,015)
Net book amount	<u>23,359</u>	<u>123,841</u>	<u>41,625</u>	<u>8,886</u>	<u>197,711</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Furniture, fittings and equipment <i>RMB'000</i>	Machinery and vehicles <i>RMB'000</i>	CIP <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2024					
Cost	84,188	251,094	78,285	29,739	443,306
Accumulated depreciation	(55,519)	(86,571)	–	(19,352)	(161,442)
Net book amount	<u>28,669</u>	<u>164,523</u>	<u>78,285</u>	<u>10,387</u>	<u>281,864</u>
Four months ended April 30, 2024					
Opening net book amount	28,669	164,523	78,285	10,387	281,864
Additions	84	12,359	32,098	2,000	46,541
Disposal	(3)	–	–	–	(3)
Transfers	3,924	21,066	(24,990)	–	–
Depreciation	(4,502)	(10,557)	–	(1,666)	(16,725)
Closing net book amount	<u>28,172</u>	<u>187,391</u>	<u>85,393</u>	<u>10,721</u>	<u>311,677</u>
At April 30, 2024					
Cost	88,193	284,519	85,393	31,739	489,844
Accumulated depreciation	(60,021)	(97,128)	–	(21,018)	(178,167)
Net book amount	<u><u>28,172</u></u>	<u><u>187,391</u></u>	<u><u>85,393</u></u>	<u><u>10,721</u></u>	<u><u>311,677</u></u>

Depreciation expenses have been charged to the Consolidated Statements of Comprehensive Income as follows:

	Year ended December 31,			Four months ended April 30,	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of revenues	17,522	23,711	26,375	9,234	11,820
Selling and marketing expenses	433	484	538	171	145
Administrative expenses	617	916	1,785	254	587
Research and development expenses	2,943	4,614	10,229	1,841	4,173
	<u>21,515</u>	<u>29,725</u>	<u>38,927</u>	<u>11,500</u>	<u>16,725</u>

APPENDIX I

ACCOUNTANT’S REPORT

18 INTANGIBLE ASSETS

	Computer software <i>RMB'000</i>
At January 1, 2021	
Cost	9,798
Accumulated amortization	<u>(4,368)</u>
Net book amount	<u>5,430</u>
Year ended December 31, 2021	
Opening net book amount	5,430
Additions	4,036
Amortization charge	<u>(2,160)</u>
Closing net book amount	<u>7,306</u>
At December 31, 2021	
Cost	13,834
Accumulated amortization	<u>(6,528)</u>
Net book amount	<u><u>7,306</u></u>
Computer software <i>RMB'000</i>	
At January 1, 2022	
Cost	13,834
Accumulated amortization	<u>(6,528)</u>
Net book amount	<u>7,306</u>
Year ended December 31, 2022	
Opening net book amount	7,306
Additions	1,643
Amortization charge	<u>(2,858)</u>
Closing net book amount	<u>6,091</u>
At December 31, 2022	
Cost	15,477
Accumulated amortization	<u>(9,386)</u>
Net book amount	<u><u>6,091</u></u>

APPENDIX I

ACCOUNTANT’S REPORT

	Computer software RMB’000
At January 1, 2023	
Cost	15,477
Accumulated amortization	<u>(9,386)</u>
Net book amount	<u>6,091</u>
Year ended December 31, 2023	
Opening net book amount	6,091
Additions	8,277
Amortization charge	<u>(3,307)</u>
Closing net book amount	<u>11,061</u>
At December 31, 2023	
Cost	23,663
Accumulated amortization	<u>(12,602)</u>
Net book amount	<u><u>11,061</u></u>
	Computer software RMB’000
(Unaudited)	
At January 1, 2023	
Cost	15,477
Accumulated amortization	<u>(9,386)</u>
Net book amount	<u>6,091</u>
Four months ended April 30, 2023	
Opening net book amount	6,091
Additions	1,845
Amortization charge	<u>(997)</u>
Closing net book amount	<u>6,939</u>
At April 30, 2023	
Cost	17,322
Accumulated amortization	<u>(10,383)</u>
Net book amount	<u><u>6,939</u></u>

APPENDIX I

ACCOUNTANT’S REPORT

	Computer software RMB’000
At January 1, 2024	
Cost	23,663
Accumulated amortization	<u>(12,602)</u>
Net book amount	<u>11,061</u>
Four months ended April 30, 2024	
Opening net book amount	11,061
Additions	2,130
Amortization charge	<u>(1,215)</u>
Closing net book amount	<u>11,976</u>
At April 30, 2024	
Cost	25,793
Accumulated amortization	<u>(13,817)</u>
Net book amount	<u><u>11,976</u></u>

Amortization have been charged to the Consolidated Statements of Comprehensive Income as follows:

	Year ended December 31,			Four months ended April 30,	
	2021	2022	2023	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cost of revenues	225	380	493	100	135
Selling and marketing expenses	12	6	8	3	3
Administrative expenses	737	912	939	314	402
Research and development Expenses	<u>1,186</u>	<u>1,560</u>	<u>1,867</u>	<u>580</u>	<u>675</u>
	<u><u>2,160</u></u>	<u><u>2,858</u></u>	<u><u>3,307</u></u>	<u><u>997</u></u>	<u><u>1,215</u></u>

19 RIGHT-OF-USE ASSETS

	Properties RMB’000
At January 1, 2021	
Cost	45,705
Accumulated amortization	<u>(20,482)</u>
Net book amount	<u><u>25,223</u></u>

APPENDIX I

ACCOUNTANT'S REPORT

	Properties <i>RMB'000</i>
Year ended December 31, 2021	
Opening net book amount	25,223
Additions	17,984
Amortization charge	<u>(11,433)</u>
Closing net book amount	<u>31,774</u>
At December 31, 2021	
Cost	45,373
Accumulated amortization	<u>(13,599)</u>
Net book amount	<u><u>31,774</u></u>

	Properties <i>RMB'000</i>
Year ended December 31, 2022	
Opening net book amount	31,774
Additions	24,729
Amortization charge	<u>(18,246)</u>
Closing net book amount	<u>38,257</u>
At December 31, 2022	
Cost	68,280
Accumulated amortization	<u>(30,023)</u>
Net book amount	<u><u>38,257</u></u>

	Properties <i>RMB'000</i>
Year ended December 31, 2023	
Opening net book amount	38,257
Additions	17,242
Amortization charge	<u>(23,123)</u>
Closing net book amount	<u>32,376</u>
At December 31, 2023	
Cost	84,270
Accumulated amortization	<u>(51,894)</u>
Net book amount	<u><u>32,376</u></u>

APPENDIX I

ACCOUNTANT’S REPORT

	Properties <i>RMB'000</i>
(Unaudited)	
Four months ended April 30, 2023	
Opening net book amount	38,257
Amortization charge	<u>(7,214)</u>
Closing net book amount	<u>31,043</u>
At April 30, 2023	
Cost	67,028
Accumulated amortization	<u>(35,985)</u>
Net book amount	<u><u>31,043</u></u>

	Properties <i>RMB'000</i>
Four months ended April 30, 2024	
Opening net book amount	32,376
Additions	76,684
Amortization charge	<u>(18,081)</u>
Closing net book amount	<u>90,979</u>
At April 30, 2024	
Cost	160,954
Accumulated amortization	<u>(69,975)</u>
Net book amount	<u><u>90,979</u></u>

The Consolidated Statements of Comprehensive Income and the Consolidated Statements of Cash Flows contain the following amounts relating to leases:

	Year ended December 31,			Four months	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>				
Amortization charge of right-of-use assets	11,433	18,246	23,123	7,214	18,081
Interest expenses	1,321	2,062	2,471	481	1,990
Expenses relating to short-term leases	9,364	15,212	11,705	3,307	1,360
Cash outflow as operating activities	(9,364)	(15,212)	(11,705)	(3,307)	(1,360)
Cash outflow as financing activities	(6,596)	(9,269)	(11,918)	(3,275)	(4,069)

APPENDIX I

ACCOUNTANT’S REPORT

20 OTHER NON-CURRENT ASSETS

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Prepayments for long term assets	7,987	11,968	19,112	32,870
Deferred [REDACTED] costs	1,175	3,605	11,478	7,676
Long-term prepaid expenses	987	2,503	4,823	4,178
Long term deposits	935	4,329	2,979	3,442
	<u>11,084</u>	<u>22,405</u>	<u>38,392</u>	<u>48,166</u>

21 DEFERRED INCOME TAX

(i) Deferred tax assets

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
The balance comprises temporary differences attributable to:				
– Lease liabilities	6,594	7,117	8,123	17,248
– Product warranties and customer service actions	–	–	8,772	10,375
– Allowance for financial assets and inventory provision	–	–	4,326	3,707
– Foreign tax credits	–	–	3,477	3,044
– Tax losses	–	–	–	5,003
– Temporary difference related to others	–	–	1,169	2,173
	<u>6,594</u>	<u>7,117</u>	<u>25,867</u>	<u>41,550</u>
Total gross deferred tax assets	<u>6,594</u>	<u>7,117</u>	<u>25,867</u>	<u>41,550</u>
Set-off of deferred tax liabilities pursuant to set-off provisions (ii)	<u>(6,594)</u>	<u>(7,117)</u>	<u>(10,829)</u>	<u>(21,454)</u>
	<u>–</u>	<u>–</u>	<u>15,038</u>	<u>20,096</u>
Net deferred tax assets	<u>–</u>	<u>–</u>	<u>15,038</u>	<u>20,096</u>

The Group only recognizes deferred income tax assets for cumulative tax losses and other deductible temporary differences if it is probable that future taxable amounts will be available to utilize those amounts. Management will continue to assess the recognition of deferred income tax assets in future reporting periods.

APPENDIX I

ACCOUNTANT’S REPORT

The subsidiaries of the Group had unrecognized tax losses available to offset against future profits, the expiry dates of the unrecognized tax losses are as follows:

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
2022	4	–	–	–
2023	51	51	–	–
2024	4,487	4,487	4,487	4,487
2025	12,466	12,307	12,307	12,307
2026	4,413	4,413	4,413	4,413
2027	29,830	19,534	6,351	6,351
2028 and after	289,403	216,331	206,365	186,130
	<u>340,654</u>	<u>257,123</u>	<u>233,923</u>	<u>213,688</u>

The movements in deferred tax assets during the year/period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Tax losses	Allowance for financial assets and inventory provision	Product warranties and customer service actions	Lease liabilities	Foreign tax credits	Temporary difference related to others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	–	–	–	5,106	–	–	5,106
New additions	–	–	–	3,948	–	–	3,948
Charged to profit or loss	–	–	–	(2,460)	–	–	(2,460)
At December 31, 2021	<u>–</u>	<u>–</u>	<u>–</u>	<u>6,594</u>	<u>–</u>	<u>–</u>	<u>6,594</u>
At January 1, 2022	–	–	–	6,594	–	–	6,594
New additions	–	–	–	2,307	–	–	2,307
Charged to profit or loss	–	–	–	(1,784)	–	–	(1,784)
At December 31, 2022	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,117</u>	<u>–</u>	<u>–</u>	<u>7,117</u>
At January 1, 2023	–	–	–	7,117	–	–	7,117
New additions	–	–	–	4,615	–	–	4,615
Credited/(charged) to profit or loss	–	4,326	8,772	(3,609)	3,477	1,169	14,135
At December 31, 2023	<u>–</u>	<u>4,326</u>	<u>8,772</u>	<u>8,123</u>	<u>3,477</u>	<u>1,169</u>	<u>25,867</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Tax losses <i>RMB'000</i>	Allowance for financial assets and inventory provision <i>RMB'000</i>	Product warranties and customer service actions <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Foreign tax credits <i>RMB'000</i>	Temporary difference related to others <i>RMB'000</i>	Total <i>RMB'000</i>
(Unaudited)							
At January 1, 2023	-	-	-	7,117	-	-	7,117
Credited/(charged) to profit or loss	-	349	1,004	(2,863)	-	2,482	972
At April 30, 2023	-	349	1,004	4,254	-	2,482	8,089
At January 1, 2024	-	4,326	8,772	8,123	3,477	1,169	25,867
New additions	-	-	-	12,310	-	-	12,310
Credited/(charged) to profit or loss	5,003	(619)	1,603	(3,185)	(433)	1,004	3,373
At April 30, 2024	5,003	3,707	10,375	17,248	3,044	2,173	41,550

(ii) Deferred tax liabilities

	As of December 31,			As of
	2021	2022	2023	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024 <i>RMB'000</i>
The balance comprises temporary differences attributable to:				
- Right-of-use assets	6,594	7,117	6,957	15,820
- Property, plant and equipment	-	-	3,872	5,634
Total gross deferred tax liabilities	6,594	7,117	10,829	21,454
Set-off of deferred tax liabilities pursuant to set-off provisions (i)	(6,594)	(7,117)	(10,829)	(21,454)
Net deferred tax liabilities	-	-	-	-

APPENDIX I

ACCOUNTANT’S REPORT

The movements in deferred tax liabilities during the year/period, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Right-of-use assets RMB'000	Property, plant and equipment RMB'000	Total RMB'000
At January 1, 2021	5,106	–	5,106
New additions	3,948	–	3,948
Credited to profit or loss	(2,460)	–	(2,460)
At December 31, 2021	<u>6,594</u>	<u>–</u>	<u>6,594</u>
At January 1, 2022	6,594	–	6,594
New additions	2,307	–	2,307
Credited to profit or loss	(1,784)	–	(1,784)
At December 31, 2022	<u>7,117</u>	<u>–</u>	<u>7,117</u>
At January 1, 2023	7,117	–	7,117
New additions	4,615	–	4,615
(Credited)/charged to profit or loss	(4,775)	3,872	(903)
At December 31, 2023	<u>6,957</u>	<u>3,872</u>	<u>10,829</u>
(Unaudited)			
At January 1, 2023	7,117	–	7,117
Credited to profit or loss	(3,317)	–	(3,317)
At April 30, 2023	<u>3,800</u>	<u>–</u>	<u>3,800</u>
At January 1, 2024	6,957	3,872	10,829
New additions	12,310	–	12,310
(Credited)/charged to profit or loss	(3,447)	1,762	(1,685)
At April 30, 2024	<u>15,820</u>	<u>5,634</u>	<u>21,454</u>

APPENDIX I

ACCOUNTANT’S REPORT

22 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Assets as per Consolidated Balance Sheets				
Financial assets at FVOCI:				
– Notes receivable (a)	360,416	540,264	271,026	356,226
– Accounts receivable factoring	151,135	–	–	–
	<u>511,551</u>	<u>540,264</u>	<u>271,026</u>	<u>356,226</u>
Financial assets at amortized cost:				
– Trade receivables (Note 24)	140,254	982,281	713,614	464,618
– Contract assets (Note 8)	–	–	7,189	8,695
– Amounts due from related parties (Note 42)	218,825	77,220	40,208	134,137
– Prepayments, deposits and other current assets (excluding prepayments, deductible value-added tax input and prepaid income tax) (Note 23)	1,667	8,754	51,823	53,785
– Other non-current assets (excluding deferred [REDACTED] costs, prepayments for long term assets and long term prepaid expenses) (Note 20)	935	4,329	2,979	3,442
– Short-term investments (Note 26)	3,210	515,182	542,708	390,548
– Cash and cash equivalents (Note 27)	460,787	450,578	450,173	433,037
– Restricted cash (Note 27)	89,273	104,615	98,811	119,294
	<u>914,951</u>	<u>2,142,959</u>	<u>1,907,505</u>	<u>1,607,556</u>
Financial assets at FVPL:				
– Short-term investments (Note 26)	–	–	100,290	65,375
Total financial assets	<u>1,426,502</u>	<u>2,683,223</u>	<u>2,278,821</u>	<u>2,029,157</u>

APPENDIX I

ACCOUNTANT’S REPORT

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Liabilities as per Consolidated Balance Sheets				
Financial liabilities at amortized cost:				
– Lease liabilities (Note 32)	32,743	41,678	39,485	109,865
– Borrowings (Note 34)	70,544	192,867	271,091	269,263
– Trade payables (Note 35)	771,501	1,633,802	1,353,128	1,146,334
– Amounts due to related parties (Note 42)	200	3,969	1,147	1,151
– Other payables (excluding salaries and welfare payables, tax payables, product warranty and customer service actions and provision for potential dispute) (Note 35)	486,508	795,609	714,893	668,471
– Other non-current liabilities (excluding product warranty and customer service actions) (Note 33)	13,169	19,088	18,855	19,141
	<u>1,374,665</u>	<u>2,687,013</u>	<u>2,398,599</u>	<u>2,214,225</u>
Total financial liabilities	<u>1,374,665</u>	<u>2,687,013</u>	<u>2,398,599</u>	<u>2,214,225</u>

(a) As of December 31, 2021, 2022 and 2023 and April 30, 2024, notes receivable with a book value of approximately RMB249,989 thousand, RMB135,645 thousand, RMB125,943 thousand and RMB153,492 thousand, respectively, were pledged to the bank as a guarantee for the Group to obtain notes payable, which were presented within trade and other payables.

23 PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Prepayments to suppliers	28,300	14,024	39,400	36,645
Deductible value-added tax input	3,000	9,210	10,661	21,324
Deposits	1,083	7,599	12,603	9,924
Prepaid income tax	–	–	–	3,518
Advance to employees	20	110	225	186
Product warranty claims receivables from suppliers	–	–	7,198	7,157
Purchase rebate receivables from suppliers	–	–	35,749	37,956
Others	1,871	2,352	465	3,435
	<u>34,274</u>	<u>33,295</u>	<u>106,301</u>	<u>120,145</u>
Less: allowance for impairment	<u>(1,307)</u>	<u>(1,307)</u>	<u>(4,417)</u>	<u>(4,873)</u>
	<u>32,967</u>	<u>31,988</u>	<u>101,884</u>	<u>115,272</u>

APPENDIX I

ACCOUNTANT’S REPORT

24 TRADE RECEIVABLES

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Trade receivables due from contracts with customers	195,921	1,037,174	769,436	519,068
Less: allowance for impairment	(55,667)	(54,893)	(55,822)	(54,450)
	<u>140,254</u>	<u>982,281</u>	<u>713,614</u>	<u>464,618</u>

An impairment analysis is performed at each reporting date using a provision matrix or individually assessed to measure expected credit losses. The provision rates of the provision matrix are based on aging groupings on the invoice date of various customer segments with similar loss patterns. The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

	As of December 31, 2021			
	Gross carrying amount		Credit loss provision	
	RMB'000	%	RMB'000	%
Individually assessed expected credit losses provision	53,417	27.27%	(53,417)	100.00%
Provision for bad debts based on expected credit losses of high-profile customers	128,468	65.57%	(229)	0.18%
Provision for bad debts based on expected credit losses assessed by credit risk portfolio	<u>14,036</u>	<u>7.16%</u>	<u>(2,021)</u>	<u>14.40%</u>
	<u>195,921</u>	<u>100.00%</u>	<u>(55,667)</u>	<u>28.41%</u>

	As of December 31, 2022			
	Gross carrying amount		Credit loss provision	
	RMB'000	%	RMB'000	%
Individually assessed expected credit losses provision	46,286	4.46%	(46,286)	100.00%
Provision for bad debts based on expected credit losses of high-profile customers	943,492	90.97%	(3,543)	0.38%
Provision for bad debts based on expected credit losses assessed by credit risk portfolio	<u>47,396</u>	<u>4.57%</u>	<u>(5,064)</u>	<u>10.68%</u>
	<u>1,037,174</u>	<u>100.00%</u>	<u>(54,893)</u>	<u>5.29%</u>

APPENDIX I

ACCOUNTANT’S REPORT

	As of December 31, 2023			
	Gross carrying amount		Credit loss provision	
	RMB'000	%	RMB'000	%
Individually assessed expected credit losses provision	43,907	5.71%	(43,907)	100.00%
Provision for bad debts based on expected credit losses of high-profile customers	647,333	84.13%	(3,696)	0.57%
Provision for bad debts based on expected credit losses assessed by credit risk portfolio	78,196	10.16%	(8,219)	10.51%
	<u>769,436</u>	<u>100.00%</u>	<u>(55,822)</u>	<u>7.25%</u>

	As of April 30, 2024			
	Gross carrying amount		Credit loss provision	
	RMB'000	%	RMB'000	%
Individually assessed expected credit losses provision	38,760	7.47%	(38,760)	100.00%
Provision for bad debts based on expected credit losses of high-profile customers	391,705	75.46%	(4,361)	1.11%
Provision for bad debts based on expected credit losses assessed by credit risk portfolio	88,603	17.07%	(11,329)	12.79%
	<u>519,068</u>	<u>100.00%</u>	<u>(54,450)</u>	<u>10.49%</u>

(i) **Individual basis**

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
3 months to 6 months	–	303	–	–
6 months to 9 months	1,545	–	–	–
Over 1 year	51,872	45,983	43,907	38,760
	<u>53,417</u>	<u>46,286</u>	<u>43,907</u>	<u>38,760</u>

The expected loss rate on the individual basis was 100% during the Track Record Period.

APPENDIX I

ACCOUNTANT’S REPORT

(ii) Expected credit loss provision for high-profile customers

A number of the Group’s customers are high-profile and have excellent credits. The expected credit loss provision of accounts receivable for such high-profile customers are assessed by their credit ratings as follows:

	As of December 31, 2021		
	Gross Carrying amount RMB’000	Expected credit loss rate %	Credit loss provision RMB’000
Within 3 months	128,440	0.16%	(201)
Over 1 year	28	100.00%	(28)
	<u>128,468</u>	<u>0.18%</u>	<u>(229)</u>

	As of December 31, 2022		
	Gross Carrying amount RMB’000	Expected credit loss rate %	Credit loss provision RMB’000
Within 3 months	913,351	0.18%	(1,686)
3 months to 6 months	19,420	6.17%	(1,199)
6 months to 9 months	10,649	6.17%	(657)
9 months to 1 year	72	1.39%	(1)
	<u>943,492</u>	<u>0.38%</u>	<u>(3,543)</u>

	As of December 31, 2023		
	Gross Carrying amount RMB’000	Expected credit loss rate %	Credit loss provision RMB’000
Within 3 months	572,312	0.40%	(2,287)
3 months to 6 months	47,177	2.56%	(1,208)
6 months to 9 months	22,048	0.72%	(159)
9 months to 1 year	5,796	0.72%	(42)
	<u>647,333</u>	<u>0.57%</u>	<u>(3,696)</u>

	As of April 30, 2024		
	Gross Carrying amount RMB’000	Expected credit loss rate %	Credit loss provision RMB’000
Within 3 months	275,594	0.14%	(379)
3 months to 6 months	53,774	0.02%	(12)
6 months to 9 months	34,079	8.31%	(2,833)
9 months to 1 year	26,518	0.72%	(192)
Over 1 year	1,740	54.31%	(945)
	<u>391,705</u>	<u>1.11%</u>	<u>(4,361)</u>

APPENDIX I

ACCOUNTANT’S REPORT

(iii) Expected credit loss provision assessed by portfolios

The expected credit loss provision of accounts receivable for which credit loss provision has been assessed by portfolios is as follows:

	As of December 31, 2021		
	Carrying amount	Expected credit loss rate	Credit loss provision
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>
Within 3 months	12,728	6.23%	(793)
6 months to 9 months	127	37.01%	(47)
Over 1 year	1,181	100.00%	(1,181)
	<u>14,036</u>	<u>14.40%</u>	<u>(2,021)</u>

	As of December 31, 2022		
	Carrying amount	Expected credit loss rate	Credit loss provision
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>
Within 3 months	43,618	6.98%	(3,043)
3 months to 6 months	916	16.81%	(154)
6 months to 9 months	988	35.43%	(350)
9 months to 1 year	747	52.21%	(390)
Over 1 year	1,127	100.00%	(1,127)
	<u>47,396</u>	<u>10.68%</u>	<u>(5,064)</u>

	As of December 31, 2023		
	Carrying amount	Expected credit loss rate	Credit loss provision
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>
Within 3 months	74,221	7.21%	(5,348)
3 months to 6 months	1,046	28.78%	(301)
6 months to 9 months	528	38.64%	(204)
9 months to 1 year	96	63.54%	(61)
Over 1 year	2,305	100.00%	(2,305)
	<u>78,196</u>	<u>10.51%</u>	<u>(8,219)</u>

	As of April 30, 2024		
	Carrying amount	Expected credit loss rate	Credit loss provision
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>
Within 3 months	65,645	7.36%	(4,833)
3 months to 6 months	20,900	22.41%	(4,684)
6 months to 9 months	135	60.00%	(81)
9 months to 1 year	551	65.15%	(359)
Over 1 year	1,372	100.00%	(1,372)
	<u>88,603</u>	<u>12.79%</u>	<u>(11,329)</u>

APPENDIX I

ACCOUNTANT’S REPORT

The Group has identified the Consumer Price Index (“CPI”), Gross Domestic Product (“GDP”) and industry factors of the countries in which it operates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Movements on the Group’s allowance for impairment of trade receivables are as follows:

	Year ended December 31,			Four months ended	
	2021	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(Unaudited)</i>	
At the beginning of the year/period	(61,623)	(55,667)	(54,893)	(54,893)	(55,822)
Provision	(2,496)	(6,940)	(9,314)	(532)	(3,944)
Exchange differences	207	(807)	(157)	32	15
Reversal	5,380	8,137	1,136	161	5,013
Receivables written off during the year as uncollectable	2,865	384	7,406	–	288
At the end of the year/period	<u>(55,667)</u>	<u>(54,893)</u>	<u>(55,822)</u>	<u>(55,232)</u>	<u>(54,450)</u>

The provisions and reversal of provisions for impaired receivables have been included in “Net impairment reversal/(losses) on financial assets” in the Consolidated Statements of Comprehensive Income.

The Directors of the Group considered that the carrying amounts of the trade receivables balances approximated their fair value as of December 31, 2021, 2022 and 2023 and April 30, 2024.

The book value of the Group’s trade receivables is denominated in the following currencies:

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB’000	RMB’000	RMB’000	2024
				RMB’000
RMB	186,010	1,006,829	694,891	456,735
USD	9,322	19,368	16,561	22,812
INR	589	10,977	57,984	39,521
	<u>195,921</u>	<u>1,037,174</u>	<u>769,436</u>	<u>519,068</u>

The maximum exposure to credit risk as of December 31, 2021, 2022 and 2023 and April 30, 2024 was the book value of the trade receivables. The Group did not hold any collateral as security.

APPENDIX I

ACCOUNTANT’S REPORT

25 INVENTORIES

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Raw materials	183,954	344,784	528,457	457,490
Work in progress	2,315	3,951	1,542	1,739
Finished goods	76,713	237,396	187,100	153,881
Contract costs	525	16,119	1,013	3,038
	<u>263,507</u>	<u>602,250</u>	<u>718,112</u>	<u>616,148</u>
Less: provision for inventories	<u>(22,454)</u>	<u>(37,159)</u>	<u>(72,569)</u>	<u>(72,658)</u>
At the end of the year/period	<u>241,053</u>	<u>565,091</u>	<u>645,543</u>	<u>543,490</u>

Provision for inventories was recognized for the amount by which the carrying amount of the inventories exceeds its NRV and was recorded in “cost of revenues.” (Reversal of)/provisions for the impairment of inventories were RMB(2,781) thousand, RMB14,705 thousand, RMB35,410 thousand, RMB(1,766) thousand and RMB89 thousand for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024, respectively.

26 SHORT-TERM INVESTMENTS

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Short-term investments at				
– Fair value through profit or loss	–	–	100,290	65,375
– Amortized cost	3,210	515,182	542,708	390,548
	<u>3,210</u>	<u>515,182</u>	<u>642,998</u>	<u>455,923</u>

As of December 31, 2021, 2022 and 2023 and April 30, 2024, the short-term investments with a total amount of nil, RMB511,588 thousand, RMB325,675 thousand and RMB263,417 thousand, respectively, were pledged as collateral for notes payable.

As of December 31, 2021, 2022 and 2023 and April 30, 2024, the short-term investments with a total amount of nil, nil, RMB62,317 thousand and RMB80,406 thousand, respectively, were pledged as collateral against bank guarantees issued in favor of Commissioner of Customs in relation to the custom duty incident in India to permit the potential deduction upon future execution of bank guarantees, if required (*Note 43*).

Company

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Short-term investments at amortized cost	<u>–</u>	<u>–</u>	<u>131,552</u>	<u>24,830</u>

Short-term investments of the Company are denominated in USD.

APPENDIX I

ACCOUNTANT’S REPORT

27 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

(a) Cash and cash equivalents

Group

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
Cash on hand and cash in bank	460,787	450,578	450,173	433,037

Cash and cash equivalents of the Group are denominated in the following currencies:

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
RMB	45,334	76,357	92,168	78,528
USD	409,271	366,901	227,240	292,859
INR	6,182	7,320	130,765	61,607
EUR	–	–	–	43
	<u>460,787</u>	<u>450,578</u>	<u>450,173</u>	<u>433,037</u>

Company

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
Cash on hand and cash in bank	367,089	234,274	146,943	222,024

Cash and cash equivalents of the Company are denominated in USD.

(b) Restricted cash

Group

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
Pledged deposits for bank borrowings (Note 34)	48,695	88,537	49,903	58,007
Pledged deposits for notes payable	40,578	16,078	48,908	61,287
	<u>89,273</u>	<u>104,615</u>	<u>98,811</u>	<u>119,294</u>

APPENDIX I

ACCOUNTANT’S REPORT

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
USD	48,695	88,537	49,903	58,007
RMB	40,578	16,078	48,908	61,287
	<u>89,273</u>	<u>104,615</u>	<u>98,811</u>	<u>119,294</u>

Company

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Restricted cash	<u>48,695</u>	<u>88,537</u>	<u>49,903</u>	<u>58,007</u>

Restricted cash of the company is denominated in USD.

28 SHARE CAPITAL AND SHARE PREMIUM

The Company’s ordinary shares are stated at par value of US\$0.0001 per ordinary share. The difference between the consideration received, net of issuance cost, and the par value is recorded in share premium.

	2021		As of December 31,		2022		2023		As of April 30,	
	Shares	RMB'000	Shares	RMB'000	Shares	RMB'000	Shares	RMB'000	Shares	RMB'000
<i>Ordinary shares</i>										
Fully paid	7,923,290	397,792	7,925,979	398,130	7,926,812	398,147	7,926,812	398,147	7,926,812	398,147
Unpaid	–	–	–	–	–	–	–	–	–	–
Share capital and share premium	<u>7,923,290</u>	<u>397,792</u>	<u>7,925,979</u>	<u>398,130</u>	<u>7,926,812</u>	<u>398,147</u>	<u>7,926,812</u>	<u>398,147</u>	<u>7,926,812</u>	<u>398,147</u>
<i>Senior ordinary shares</i>										
Fully paid	26,346,293	1,352,334	26,346,293	1,352,334	26,346,293	1,351,369	26,346,293	1,351,369	26,346,293	1,351,369
Unpaid	423,206	22,704	423,206	22,704	–	–	–	–	–	–
Share capital and share premium	<u>26,769,499</u>	<u>1,375,038</u>	<u>26,769,499</u>	<u>1,375,038</u>	<u>26,346,293</u>	<u>1,351,369</u>	<u>26,346,293</u>	<u>1,351,369</u>	<u>26,346,293</u>	<u>1,351,369</u>
<i>Series F preferred shares</i>										
Fully paid	4,230,127	476,203	4,399,618	497,348	4,399,618	497,348	4,399,618	497,348	4,399,618	497,348
Unpaid	–	–	–	–	–	–	–	–	–	–
Share capital and share premium	<u>4,230,127</u>	<u>476,203</u>	<u>4,399,618</u>	<u>497,348</u>	<u>4,399,618</u>	<u>497,348</u>	<u>4,399,618</u>	<u>497,348</u>	<u>4,399,618</u>	<u>497,348</u>
Total share capital and share premium	<u>38,922,916</u>	<u>2,249,033</u>	<u>39,095,096</u>	<u>2,270,516</u>	<u>38,672,723</u>	<u>2,246,864</u>	<u>38,672,723</u>	<u>2,246,864</u>	<u>38,672,723</u>	<u>2,246,864</u>

APPENDIX I

ACCOUNTANT’S REPORT

The following tables present the movement of share capital and share premium during the Track Record Period:

	Ordinary shares		Senior ordinary shares		Series F preferred shares		Treasury shares		Share premium	Total
	Shares	RMB'000	Shares	RMB'000	Shares	RMB'000	Shares	RMB'000	RMB'000	RMB'000
Balance as of										
January 1, 2021	34,692,789	24	-	-	-	-	-	-	1,741,742	1,741,766
Issuance of Series F preferred shares (Note 30)	-	-	-	-	4,230,127	3	-	-	476,200	476,203
Conversion of the convertible loan (Note 37)	350,000	-	-	-	-	-	-	-	36,863	36,863
Share-based expenses for re-designation of ordinary shares to senior ordinary shares (Note 30)	(27,119,499)	(19)	27,119,499	19	-	-	-	-	13,752	13,752
Surrender of senior ordinary shares (Note 30)	-	-	(350,000)	-	-	-	-	-	(19,551)	(19,551)
Balance as of										
December 31, 2021	7,923,290	5	26,769,499	19	4,230,127	3	-	-	2,249,006	2,249,033
Balance as of										
January 1, 2022	7,923,290	5	26,769,499	19	4,230,127	3	-	-	2,249,006	2,249,033
Issuance of Series F preferred shares (Note 30)	-	-	-	-	169,491	-	-	-	21,145	21,145
Issuance of ordinary shares (Note a)	2,689	-	-	-	-	-	-	-	338	338
Balance as of										
December 31, 2022	7,925,979	5	26,769,499	19	4,399,618	3	-	-	2,270,489	2,270,516

APPENDIX I

ACCOUNTANT’S REPORT

	Ordinary shares		Senior ordinary shares		Series F preferred shares		Treasury shares		Share premium	Total
	Shares	RMB'000	Shares	RMB'000	Shares	RMB'000	Shares	RMB'000	RMB'000	RMB'000
Balance as of										
January 1, 2023	7,925,979	5	26,769,499	19	4,399,618	3	-	-	2,270,489	2,270,516
Repurchase of senior ordinary shares (Note 30)	-	-	(423,206)	-	-	-	-	-	(23,669)	(23,669)
Exercise of share options (Note 31)	833	-	-	-	-	-	-	-	17	17
Balance as of										
December 31, 2023	7,926,812	5	26,346,293	19	4,399,618	3	-	-	2,246,837	2,246,864

	Ordinary shares		Senior ordinary shares		Series F preferred shares		Treasury shares		Share premium	Total
	Shares	RMB'000	Shares	RMB'000	Shares	RMB'000	Shares	RMB'000	RMB'000	RMB'000
(Unaudited)										
Balance as of										
January 1 and April 30, 2023	7,925,979	5	26,769,499	19	4,399,618	3	-	-	2,270,489	2,270,516

	Ordinary shares		Senior ordinary shares		Series F preferred shares		Treasury shares		Share premium	Total
	Shares	RMB'000	Shares	RMB'000	Shares	RMB'000	Shares	RMB'000	RMB'000	RMB'000
Balance as of										
January 1 and April 30, 2024	7,926,812	5	26,346,293	19	4,399,618	3	-	-	2,246,837	2,246,864

(a) Issuance of ordinary shares

On September 29, 2022, the Company issued 2,689 ordinary shares to a new shareholder with a total subscription price of US\$47,609 (equivalent to RMB338 thousand).

APPENDIX I

ACCOUNTANT’S REPORT

29 OTHER RESERVES

Group

	Share-based compensation reserve RMB’000	Currency translation differences RMB’000	Other comprehensive income RMB’000	Total RMB’000
Balance at January 1, 2021	86,020	5,060	(1,383)	89,697
Currency translation differences and fair value change	–	1,396	–	1,396
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	–	–	(6,850)	(6,850)
Transfer of other reserves to accumulated losses upon disposal of financial assets at fair value through other comprehensive income	–	–	1,383	1,383
Employee share schemes – value of employee services	12,794	–	–	12,794
Balance at December 31, 2021	<u>98,814</u>	<u>6,456</u>	<u>(6,850)</u>	<u>98,420</u>
Balance at January 1, 2022	98,814	6,456	(6,850)	98,420
Currency translation differences	–	47,371	–	47,371
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	–	–	(5,080)	(5,080)
Transfer of other reserves to accumulated losses upon disposal of financial assets at fair value through other comprehensive income	–	–	6,850	6,850
Employee share schemes – value of employee services	3,309	–	–	3,309
Balance at December 31, 2022	<u>102,123</u>	<u>53,827</u>	<u>(5,080)</u>	<u>150,870</u>
Balance at January 1, 2023	102,123	53,827	(5,080)	150,870
Currency translation differences	–	9,526	–	9,526
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	–	–	(3,220)	(3,220)
Transfer of other reserves to accumulated losses upon disposal of financial assets at fair value through other comprehensive income	–	–	5,967	5,967
Employee share schemes – value of employee services	49,565	–	–	49,565
Others	–	–	(197)	(197)
Balance at December 31, 2023	<u>151,688</u>	<u>63,353</u>	<u>(2,530)</u>	<u>212,511</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Share-based compensation reserve RMB’000	Currency translation differences RMB’000	Other comprehensive income RMB’000	Total RMB’000
(Unaudited)				
Balance at January 1, 2023	102,123	53,827	(5,080)	150,870
Currency translation differences	–	469	–	469
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	–	–	(581)	(581)
Transfer of other reserves to accumulated losses upon disposal of financial assets at fair value through other comprehensive income	–	–	2,469	2,469
Employee share schemes – value of employee services	368	–	–	368
Balance at April 30, 2023	<u>102,491</u>	<u>54,296</u>	<u>(3,192)</u>	<u>153,595</u>
Balance at January 1, 2024	151,688	63,353	(2,530)	212,511
Currency translation differences	–	3,403	–	3,403
Net losses from changes in fair value of financial assets at fair value through other comprehensive income	–	–	(1,741)	(1,741)
Transfer of other reserves to accumulated losses upon disposal of financial assets at fair value through other comprehensive income	–	–	2,127	2,127
Employee share schemes – value of employee services	22,446	–	–	22,446
Others	–	–	147	147
Balance at April 30, 2024	<u>174,134</u>	<u>66,756</u>	<u>(1,997)</u>	<u>238,893</u>

Company

	Share-based compensation reserve RMB’000	Currency translation differences RMB’000	Total RMB’000
Balance at January 1, 2021	89,287	1,163	90,450
Currency translation differences	–	(5,514)	(5,514)
Employee share schemes – value of employee services	13,309	–	13,309
Balance at December 31, 2021	<u>102,596</u>	<u>(4,351)</u>	<u>98,245</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Share-based compensation reserve RMB'000	Currency translation differences RMB'000	Total RMB'000
Balance at January 1, 2022	102,596	(4,351)	98,245
Currency translation differences	–	68,658	68,658
Employee share schemes – value of employee services	3,428	–	3,428
	<u>106,024</u>	<u>64,307</u>	<u>170,331</u>
Balance at December 31, 2022	<u>106,024</u>	<u>64,307</u>	<u>170,331</u>
Balance at January 1, 2023	106,024	64,307	170,331
Currency translation differences	–	12,759	12,759
Employee share schemes – value of employee services	50,567	–	50,567
	<u>156,591</u>	<u>77,066</u>	<u>233,657</u>
Balance at December 31, 2023	<u>156,591</u>	<u>77,066</u>	<u>233,657</u>
(Unaudited)			
Balance at January 1, 2023	106,024	64,307	170,331
Currency translation differences	–	(4,490)	(4,490)
Employee share schemes – value of employee services	368	–	368
	<u>106,392</u>	<u>59,817</u>	<u>166,209</u>
Balance at April 30, 2023	<u>106,392</u>	<u>59,817</u>	<u>166,209</u>
Balance at January 1, 2024	156,591	77,066	233,657
Currency translation differences	–	2,173	2,173
Employee share schemes – value of employee services	22,936	–	22,936
	<u>179,527</u>	<u>79,239</u>	<u>258,766</u>
Balance at April 30, 2024	<u>179,527</u>	<u>79,239</u>	<u>258,766</u>

30 PREFERRED SHARES AND SENIOR ORDINARY SHARES

(1) Conversion of Series A~Series E convertible redeemable preferred shares

From March 2010 to January 2018, the Company issued 2,251,503 Series A, 4,487,474 Series B, 7,866,705 Series C, 948,485 Series C-1, 6,060,606 Series D and 5,504,726 Series E convertible redeemable preferred shares.

On June 25, 2019, all preferred shareholders agreed to convert all of the Series A, B, C, C-1, D, E convertible redeemable preferred shares into 27,119,499 ordinary shares at a conversion ratio of 1:1.

As of January 1, 2021, 34,692,789 ordinary shares were issued and outstanding.

As of December 31, 2021, 2022 and 2023 and April 30, 2024, US\$3,311 thousand, US\$3,311 thousand, nil and nil (equivalent to RMB21,110 thousand, RMB23,060 thousand, nil and nil) subscription receivables due from Series E preferred share investors had not been collected yet and were recorded in amounts due from related parties.

APPENDIX I

ACCOUNTANT’S REPORT

(2) Issuance of Series F convertible preferred shares

On December 28, 2021 and July 8, 2022, the Company issued 4,230,127 and 169,491 Series F convertible preferred shares to certain 3rd-party investors, respectively. The issuance price of Series F preferred shares was US\$17.7 per share and the aggregated consideration was US\$74,873,345 (RMB477,900 thousand) and US\$3,000,000 (RMB20,231 thousand), respectively. The issuance costs were RMB1,697 thousand and nil which are costs directly attributable to the issuance of Series F convertible preferred shares on December 28, 2021 and July 8, 2022, respectively.

(3) Re-designation of ordinary shares to senior ordinary shares

On December 14, 2021, the Company re-designated 27,119,499 issued and outstanding ordinary shares, which were converted from Series A ~ E preferred shares in June 2019, to 27,119,499 senior ordinary shares with a par value of US\$0.0001 each.

(4) Surrender of senior ordinary shares

On December 28, 2021, Mahayana Energy Global Limited (“Mahayana,” one of the Company’s principal shareholders) irrevocably and unconditionally surrendered 350,000 senior ordinary shares to the Company for nil consideration in exchange for the cancelation of the share subscription price of US\$2,843,602 (equivalent to RMB19,551 thousand) for such surrendered shares.

(5) Repurchase of senior ordinary shares

On June 13, 2023, the Company repurchased 344,586 and 78,620 issued and outstanding senior ordinary shares from Mahayana and Peng Zhou for the cash considerations of US\$2,799,612 (equivalent to RMB20,016 thousand) and US\$511,000 (equivalent to RMB3,653 thousand), respectively.

Significant terms of Series F preferred shares and senior ordinary shares

The significant terms of Series F preferred shares and senior ordinary shares are summarized as follows:

(i) Dividend rights

The holders of Series F preferred shares shall be entitled to receive non-cumulative dividends at an annual rate of 10% of the annual net earnings of the Company on a pari passu basis when declared by the Company’s board of directors.

After all declared dividends on the Series F preferred shares, any additional dividends declared shall be distributed on a pari passu basis amongst the holders of senior ordinary shares, the holders of ordinary shares and the holders of Series F preferred shares.

(ii) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the affairs of the Company, all assets and funds of the Company legally available for distribution to the shareholders shall be distributed in the preference order of (i) Series F preferred shares, (ii) senior ordinary shares, and (iii) ordinary shares.

The holders of Series F preferred shares shall be entitled to be paid out of the assets of the Company at the liquidation amount per share, being the greater of (i) original purchase price of US\$17.7 plus all declared but unpaid dividends, (ii) the amount as would have been payable had all Series F preferred shares been converted into ordinary shares prior to the liquidation.

The holders of senior ordinary shares shall be entitled to be paid out of the assets of the Company at the liquidation amount per share, being greater of (i) US\$10.045 plus all declared but unpaid dividends, (ii) the amount as would have been payable had all senior ordinary shares been converted into ordinary shares prior to the liquidation.

APPENDIX I

ACCOUNTANT'S REPORT

(iii) Conversion rights

The Series F preferred shares and the senior ordinary shares are convertible, at the option of the holders, into the Company's ordinary shares at an initial conversion ratio of 1:1 at any time after the original issuance date. In addition, the Series F preferred shares are subject to adjustment for dilution, included but not limited to share splits, share dividends and recapitalization.

Each Series F preferred share and senior ordinary share shall automatically be converted into one ordinary share (a) immediately prior to the closing of the Qualified IPO, or (b) the written consent of holders of at least a majority of such class of Series F preferred share or senior ordinary shares.

A Qualified [REDACTED] is defined as the criteria of [REDACTED] the Company was at least US\$100,000,000 and an implied the Company's [REDACTED] being at least US\$1,000,000,000.

(iv) Redemption rights

The Series F Preferred Shares and Senior Ordinary Shares are not redeemable at the option of the holders.

(v) Voting rights

Each Series F preferred share and senior ordinary share shall be entitled to the number of votes equal to the number of ordinary shares on an as-converted basis.

Measurement and subsequent accounting for Series F preferred shares and senior ordinary shares

As the Company does not have the unconditional obligation to deliver cash or another financial asset, and the Series F preferred shares and senior ordinary shares will be settled in the Company's own ordinary shares upon conversion, the Series F preferred shares and senior ordinary shares are concluded as an equity instrument and accounted for as an equity in its entirety.

For the issuance of Series F preferred shares on July 8, 2022, the Company recorded the share-based compensation expenses of US\$135 thousand (RMB914 thousand) representing the excess of the fair value of the Series F preferred shares over its subscription price on the issuance date.

Measurement and accounting for the re-designation of ordinary shares to senior ordinary shares

The Company assesses whether an amendment to the terms of its ordinary shares is an extinguishment or a modification based on a qualitative evaluation of the amendment. The Company also assesses if the change in the terms results in value transfer between ordinary shareholders and the senior ordinary shareholders.

For the re-designation of ordinary shares to senior ordinary shares on December 14, 2021, additional liquidation preference was given to such holders. From both quantitative and qualitative perspectives, the Company assessed the impact of the above re-designation and concluded that this amendment should be treated as modification rather than extinguishment of the ordinary shares. Upon the re-designation of ordinary shares to senior ordinary shares, the Company derecognized the ordinary shares and recognized the senior ordinary share equity based on the fair value at the re-designation date, and US\$2.2 million (RMB13,752 thousand) was recorded as share-based compensation expenses to the shareholders which represented the excess of the fair value of the senior ordinary shares over the fair value of ordinary shares on the transaction date.

Measurement and accounting for the repurchase of senior ordinary shares

For the repurchase of senior ordinary shares on June 13, 2023, the Company derecognized the senior ordinary share of US\$3.3 million (RMB23,669 thousand) based on the repurchase considerations on the transaction date.

APPENDIX I

ACCOUNTANT’S REPORT

31 SHARE-BASED PAYMENTS

Under the Company’s 2009 Global Share Plan (“2009 Plan”) adopted on November 6, 2009, the Company is allowed to grant options and share purchase rights to the Group’s employees, officers, directors or consultants to purchase the Company’s ordinary shares at exercise price determined by the Company on the date of grant. As of January 1, 2021, 8,407,021 ordinary shares are authorized and reserved for the awards under the 2009 Plan.

On June 21, 2023, the Company amended the 2009 Plan (“Amended 2009 Plan”) to permit the offering of restricted share units (“RSUs”) as the award, and the number of shares reserved for issuance increased to 9,000,227 ordinary shares.

(i) Share Options

From January 2010, the Company granted incentive stock options and non-statutory stock options to the employees of the Company and its subsidiaries, the VIE and the VIE’s subsidiaries to purchase the Company’s ordinary shares.

The share options under the 2009 Plan have a contractual term of ten years from the grant date. The share options are vested over a period of four years of continuous service under two schemes: (i) 25% of which vest upon the first anniversary of the stated vesting commencement date and the remaining 75% vested over the following 36 months on a monthly basis, or (ii) 50% of which vest upon the second anniversary of the stated vesting commencement date and the remaining 50% vested over the following 24 months on a monthly basis. The share options of the Company under the 2009 Plan do not contain the repurchase obligation by the Company.

Compensation expenses recognized for share options granted by the Company were as follows:

	Year ended December 31,			Four months ended	
	2021	2022	2023	April 30, 2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Cost of revenues	943	244	3,382	26	1,798
Research and development expenses	4,396	1,092	17,059	115	9,233
Administrative expenses	7,513	1,969	15,441	214	8,742
Selling and marketing expenses	457	123	1,357	13	695
	<u>13,309</u>	<u>3,428</u>	<u>37,239</u>	<u>368</u>	<u>20,468</u>

The following table summarizes the Company’s share option activities for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024:

	Number of outstanding options	Average exercise price per share option USD	Weighted average remaining contractual life of outstanding options at end of period
At January 1, 2021	2,784,309	2.62	
Forfeited during the year	<u>(61,100)</u>	<u>2.19</u>	
At December 31, 2021	<u>2,723,209</u>	<u>2.64</u>	<u>6.47</u>

APPENDIX I

ACCOUNTANT’S REPORT

	Number of outstanding options	Average exercise price per share option <i>USD</i>	Weighted average remaining contractual life of outstanding options at end of period
Vested and exercisable at December 31, 2021	<u>2,254,991</u>		
At January 1, 2022	2,723,209	2.64	
Forfeited during the year	<u>(108,000)</u>	<u>2.19</u>	
At December 31, 2022	<u>2,615,209</u>	<u>2.71</u>	<u>5.73</u>
Vested and exercisable at December 31, 2022	<u>2,492,717</u>		
At January 1, 2023	2,615,209	2.71	
Granted during the year	2,476,812	9.32	
Forfeited during the year	(13,867)	8.56	
Exercised during the year	<u>(833)</u>	<u>3.00</u>	
At December 31, 2023	<u>5,077,321</u>	<u>5.92</u>	<u>7.04</u>
Vested and exercisable at December 31, 2023	<u>2,612,709</u>		
(Unaudited)			
At January 1, 2023	2,615,209	2.71	
Forfeited during the period	<u>(2,500)</u>	<u>3.00</u>	
At April 30, 2023	<u>2,612,709</u>	<u>2.43</u>	<u>5.41</u>
Vested and exercisable at April 30, 2023	<u>2,571,837</u>		
At January 1, 2024	<u>5,077,321</u>	<u>5.92</u>	
At April 30, 2024	<u>5,077,321</u>	<u>5.92</u>	<u>6.71</u>
Vested and exercisable at April 30, 2024	<u>2,612,709</u>		

The information of options granted during the Track Record Period is as follows:

Grant Date	Expiry date	Exercise price	Number of options
June 15, 2023	June 15, 2033	\$9.32	2,476,812

APPENDIX I

ACCOUNTANT’S REPORT

The weighted-average grant date fair value of stock options granted under the Company’s 2009 Plan for the year ended December 31, 2023 was US\$6.84, computed using the binomial option pricing model with the assumptions (or ranges thereof) in the following table:

	Year ended December 31, 2023
Exercise price (USD)	9.32
Fair value of the ordinary shares on the date of option grant (USD)	12.55
Expected terms	10 years
Risk-free interest rate	3.81%
Expected dividend yield	0.00%
Expected volatility	40.00%
Exercise Multiple	2.80

The risk-free interest rate of periods within the contractual life of the stock option is determined by reference to the U.S. Treasury yield curve with a maturity life equal to the expected life of the stock option from date of grant to expiration. The expected volatility is estimated based on the average of historical volatilities of the comparable companies in the same industry as at the valuation dates. The Company has never declared or paid any cash dividends, and the Company does not anticipate any dividend payments in the foreseeable future. The exercise multiple is estimated as the ratio of fair value of underlying shares over the exercise price as at the time the option is exercised, based on a consideration of empirical studies on the actual exercise behavior of employees.

The valuation of the stock options is based on the best estimates from Company by taking into account a number of assumptions and is subject to limitation of the valuation model. Changes in variables and assumptions may affect the fair value of these stock options.

There was no income tax benefit recognized in the Consolidated Statements of Comprehensive Income for share-based compensation and the Group did not capitalize any of the share-based compensation as part of the cost of any asset for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024.

(ii) RSUs

On June 15, 2023, the Company granted 423,206 RSUs to Peng Zhou under the Amended 2009 Plan. The RSUs granted would vest over a period of continuous service under the scheme as follows: 25% of which vest on later of (i) the first anniversary of the vesting commencement date, and (ii) the Company’s [REDACTED] on an internationally recognized stock exchange (the “First Vesting Date”), and the remaining 75% of which in three equal installments on each anniversary of the First Vesting Date. The RSUs of the Company under the Amended 2009 Plan do not contain the repurchase obligation by the Company.

Compensation expenses recognized for RSUs granted by the Company were as follows:

	Year ended December 31,			Four months ended April 30,	
	2021	2022	2023	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Administrative expenses	–	–	13,328	–	2,468

(Unaudited)

APPENDIX I

ACCOUNTANT’S REPORT

The following table summarizes the Company’s RSUs activities for the year ended December 31, 2023 and the four months ended April 30, 2024:

	Number of RSUs	Weighted Average grant date fair value per RSU (USD)
At January 1, 2023	–	–
Granted during the year	423,206	14.36
At December 31, 2023	<u>423,206</u>	<u>14.36</u>
At January 1, 2024	<u>423,206</u>	<u>14.36</u>
At April 30, 2024	<u>423,206</u>	<u>14.36</u>

The weighted-average grant date fair value for RSUs granted under the under the Company’s Amended 2009 Plan during the year ended December 31, 2023 was US\$14.36. The fair value of the RSU is estimated based on the fair value of the underlying ordinary shares of the Company on the date of grant. Management determined the fair value of ordinary shares at the RSU grant date using the income approach with the assumptions in the following table.

	Year ended December 31, 2023
Exercise price (USD)	–
Revenue growth rate	2%~65%
Weighted average cost of capital	17%

32 LEASE LIABILITIES

	As of December 31,			As of
	2021	2022	2023	April 30, 2024
	RMB’000	RMB’000	RMB’000	RMB’000
Minimum lease payments due				
– Within 1 year	14,291	18,358	18,514	65,222
– Between 1 and 2 years	11,483	13,420	10,366	33,377
– Between 2 and 5 years	9,180	13,756	15,295	18,685
	<u>34,954</u>	<u>45,534</u>	<u>44,175</u>	<u>117,284</u>
Less: future finance charges	(2,211)	(3,856)	(4,690)	(7,419)
Present value of lease liabilities	<u>32,743</u>	<u>41,678</u>	<u>39,485</u>	<u>109,865</u>

APPENDIX I

ACCOUNTANT’S REPORT

The present value of lease liabilities is as follows:

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Lease liabilities				
– Within 1 year	13,088	17,220	16,449	60,703
– Between 1 and 2 years	11,186	11,670	8,929	31,296
– Between 2 and 5 years	8,469	12,788	14,107	17,866
	<u>32,743</u>	<u>41,678</u>	<u>39,485</u>	<u>109,865</u>

33 OTHER NON-CURRENT LIABILITIES

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Product warranties and customer service actions	78,446	140,793	143,987	156,078
Deposit payables	13,169	19,088	18,855	19,141
	<u>91,615</u>	<u>159,881</u>	<u>162,842</u>	<u>175,219</u>

34 BORROWINGS

(a) Current borrowings

Group

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Entrusted loan (i)	–	–	–	–
Bank borrowings (ii)	45,844	154,037	169,422	189,037
Financings associated with sale-leaseback transactions (iii)	16,371	20,470	39,414	31,652
Financings associated with bank acceptance bills (iv)	–	9,907	29,689	28,885
Factoring of trade receivable with recourse right (v)	–	5,001	20,409	12,615
Total	<u>62,215</u>	<u>189,415</u>	<u>258,934</u>	<u>262,189</u>

APPENDIX I

ACCOUNTANT’S REPORT

(b) Non-current borrowings

Group

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
Financings associated with sale-leaseback transactions (iii)	8,329	3,452	12,157	7,074

The weighted average interest rate of the Group was 32.18%, 4.82%, 5.23%, 5.17% and 5.07%, respectively, for the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024.

(i) Entrusted loan

In May 2019, Mahayana and the Company entered into a US\$11,000 thousand loan agreement with original term of 1 year. The total interest of the loan was US\$3,500 thousand. The loan was pledged by the Company’s equity interest in its subsidiaries together with the guarantee by Peng Zhou, the principal founder, chief executive officer and director of the Company.

In May 2020, Mahayana, EASE Fortune International Limited (“EASE,” one of the shareholders of Mahayana) and the Company entered into a memorandum to clarify that the loan was extended by EASE. It was agreed to extend the maturity of the loan to December 31, 2021 and set an interest rate at 0.05% per day from June 5, 2020 to December 31, 2021 and at 0.1% per day thereafter until it is repaid.

On December 28, 2021, upon the issuance of Series F preferred shares, EASE agreed to convert the above loan principal together with the cumulative unpaid interest in the amount of US\$20,893 thousand (equivalent to RMB133,210 thousand) into 1,180,414 Series F preferred shares at the issuance price of US\$17.7 per share.

(ii) Bank borrowings

For the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024, the Group has entered into arrangements of multiple pledged loans, guaranteed loans and credit loans with banks.

(a) Pledged loans

For the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024, Octillion Hefei has entered into credit line agreements with SPD Silicon Valley Bank and East West Bank, which carries fixed interest rates ranged from 3.75% to 4.50% per annum. RMB39,700 thousand, RMB68,800 thousand and RMB68,835 thousand and RMB53,700 thousand of the pledged loans remained outstanding as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively.

Pledged loans are guaranteed by pledged bank deposits provided by the Company. RMB48,695 thousand, RMB88,537 thousand, RMB49,903 thousand and RMB58,007 thousand of the bank deposits were pledged as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively.

(b) Guaranteed loans

For the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024, Octillion Hefei and Octillion Liuzhou have entered into credit line agreements with a couple of banks, which carries fixed interest rates ranged from 3.60% to 5.00% per annum. RMB6,000 thousand, RMB85,000 thousand, RMB65,446 thousand and RMB124,945 thousand of the guaranteed loans remained outstanding as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively.

APPENDIX I

ACCOUNTANT’S REPORT

As of April 30, 2024, the aforementioned borrowings were guaranteed by Octillion Energy, Octillion Hefei, Octillion Miyuan, Octillion Liuzhou and a financial guarantee company with the amount of RMB60,000 thousand, RMB30,000 thousand, RMB15,000 thousand, RMB9,945 thousand and RMB10,000 thousand, respectively (As of December 31, 2023: RMB20,446 thousand, RMB20,000 thousand and RMB25,000 thousand were guaranteed by Octillion Energy, Octillion Hefei and Octillion Miyuan, respectively; As of December 31, 2022: RMB35,000 thousand, RMB20,000 thousand, RMB20,000 thousand and RMB10,000 thousand were guaranteed by Peng Zhou, Octillion Energy, Octillion Hefei and Octillion Miyuan, respectively; As of December 31, 2021: RMB6,000 thousand were guaranteed by Peng Zhou).

(c) Credit loans

As of April 30, 2024, Octillion Hefei had one credit loan of RMB10,000 thousand with the interest rate at 4.00% per annum from China Minsheng Bank (As of December 31, 2023: RMB34,990 thousand, weighted average interest rate was 3.74%; As of December 31, 2022: RMB25,000 thousand, weighted average interest rate was 4.44%. As of December 31, 2021: nil).

(iii) *Financings associated with sale-leaseback transactions*

Starting from June 2021, Octillion Hefei (“seller-lessee”) began to sold machinery equipment and patents (“leased assets”) to different domestic financial leasing companies (“buyer-lessors”) for cash considerations and simultaneously entered into the contracts to lease back the leased assets from the buyer-lessors for the periods of 12 to 24 months. For the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024, the seller-lessee received RMB30,000 thousand, RMB27,000 thousand, RMB82,500 thousand, RMB20,000 thousand and nil cash proceeds in total before netting off the transaction costs of RMB925 thousand, RMB1,070 thousand, RMB1,000 thousand, RMB150 thousand and nil, respectively. Pursuant to the terms of the agreements, seller-lessee is required to pay to the buyer-lessors lease payments over the lease periods and is entitled to obtain the ownership of these leased assets at a nominal price upon the expiration of the lease.

The sale-leaseback transactions do not qualify as a sale given these leased assets are continually maintained by seller-lessee rather than controlled by buyer-lessors. Seller-lessee has an obligation to repurchase the leased assets upon the expiry of the lease. In addition, after the lease period, seller-lessee will keep using the leased assets and has no plans to sell or early-dispose. Accordingly, these transactions are accounted for as financing arrangements rather than revenue recognition. Internal rate of return is used in the computation of interest cost.

As of December 31, 2021, 2022 and 2023 and April 30, 2024, the Group recorded RMB8,329 thousand, RMB3,452 thousand, RMB12,157 thousand and RMB7,074 thousand under long-term borrowings, and RMB16,371 thousand, RMB20,470 thousand, RMB39,414 thousand and RMB31,652 thousand as current portion, respectively. For the years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2023 and 2024, the weighted average effective annual interest rate of the financing was 6.20%, 6.73%, 7.83%, 8.57% and 7.62% and the interest costs incurred were RMB1,367 thousand, RMB2,832 thousand, RMB3,648 thousand, RMB730 thousand, and RMB1,123 thousand, respectively. These sale-leaseback financings were collateralized by the seller-lessee’s machinery equipment and also guaranteed by Peng Zhou, Octillion Energy and Octillion Miyuan as of December 31, 2021 and 2022, and guaranteed by Octillion Energy and Octillion Miyuan as of December 31, 2023 and April 30, 2024. The net book value of machinery equipment collateralized were RMB14,885 thousand, RMB33,429 thousand, RMB61,201 thousand and RMB38,592 thousand as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively.

(iv) *Financings associated with bank acceptance bills*

Starting from September 2022, the Group’s subsidiaries begin to settle intercompany payables by means of commercial acceptance bills issued by intra-group subsidiaries and the other subsidiaries that receive the bills may discount the bills to banks and receive cash proceeds.

These transactions are financing arrangements by the Group in substance and therefore are accounted for as borrowings. Internal rates of return are used in the computation of interest expenses.

APPENDIX I

ACCOUNTANT’S REPORT

As of December 31, 2022 and 2023 and April 30, 2024, the Group recorded RMB9,907 thousand, RMB29,689 thousand and RMB28,885 thousand as current borrowings, respectively. For the year ended December 31, 2022 and 2023 and the four months ended April 30, 2023 and 2024, the weighted average effective annual interest rates of such kind of financing were 5.62%, 3.19%, 3.21% and 3.39%, respectively, and the interest expenses incurred were RMB184 thousand, RMB311 thousand, RMB135 thousand and RMB115 thousand, respectively.

(v) *Factoring of trade receivable with recourse right*

Starting from 2022, Octillion India reached a factoring agreement with a local bank. Under such factoring arrangement, Octillion India has transferred the relevant trade receivables of one customer to the bank in exchange for cash at a discount, the discount rate was sum of repo rate plus spread of 1.4% per annum for a tenor up to 90 days till August 2023 and repo rate plus spread of 0.95% per annum for a tenor up to 90 days from August 2023 onwards. However, Octillion India still retains late payment and credit risk. The Group therefore continues to recognize the transferred trade receivables of this customer in their entirety in its balance sheet. The amount repayable under the factoring agreement is presented as borrowings. As of December 31, 2022 and 2023 and April 30, 2024, the borrowing related factoring agreement was INR59.4 million (equivalent to RMB5,001 thousand), INR240 million (equivalent to RMB20,409 thousand) and INR148 million (equivalent to RMB12,615 thousand), respectively.

35 TRADE AND OTHER PAYABLES

Group

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Trade payables	771,501	1,633,802	1,353,128	1,146,334
Notes payable (a)	290,519	662,781	512,226	472,304
Payables to the non-controlling shareholders of SinoEV				
Changzhou (b)	74,950	–	–	–
Salaries and welfare payables	31,317	44,691	50,061	29,011
Payables to uncontactable third-party payors (c)	21,109	23,060	23,444	23,522
Product warranty and customer service actions	22,385	28,481	66,485	53,022
Government grants payables (d)	18,360	18,360	18,915	19,126
Provision for potential dispute (e)	66,067	66,811	67,602	67,886
Accrued expenses	30,983	31,785	37,432	37,964
Payables for purchase of property, plant and equipment	17,364	30,098	79,076	74,513
Tax payables	10,037	21,323	22,733	8,274
Payables for R&D and marketing services	20,505	15,745	26,823	20,439
Others	12,718	13,780	16,977	20,603
	<u>1,387,815</u>	<u>2,590,717</u>	<u>2,274,902</u>	<u>1,972,998</u>

(a) *Notes payable*

All notes payable are denominated in RMB and are notes paid and/or payable to third parties for settlement of trade payables. As at December 31, 2021, 2022 and 2023 and April 30, 2024, all notes payable were bank acceptance bills with the maturities less than six months from the end of the reporting period.

APPENDIX I

ACCOUNTANT’S REPORT

(b) Payables to the minority shareholders of SinoEV Changzhou

In April 2019, the Company entered into share transfer agreements with the minority shareholders of SinoEV Changzhou to buy out 33.37% equity interests they held with total considerations of RMB87,533 thousand. The transaction was consummated on July 12, 2019 and the Company holds 100% equity interests of SinoEV Changzhou thereafter. RMB74,950 thousand of the consideration was outstanding as of December 31, 2021, considering interest accrued for late payment. During the year ended December 31, 2022, the consideration of RMB77,818 thousand was fully paid and settled by the Company.

(c) Payables to uncontactable third-party payers

In connection with the issuance of Series E preferred shares, certain Series E investors paid the subscription proceeds through certain third-party payers. Given there were US\$3.3 million payments made in June 2019 that no definitive evidence was available to substantiate such amount has paid on behalf of Series E investors, nor has the Company been able to get into contact with these third-party payers, the Company recorded the receiving amount of US\$3.3 million, equivalent to RMB21,109 thousand, RMB23,060 thousand, RMB23,444 thousand and RMB23,522 thousand as a payable as of December 31, 2021, 2022 and 2023 and April 30, 2024, respectively.

(d) Government grants payables

In December 2016, the Group’s subsidiary, Octillion Hefei, received the government grant of RMB14,500 thousand from local authorities to develop high-performance EV batteries. The grants were free of interest if Octillion Hefei passed the evaluation by the authorities before September 30, 2018. If failed, Octillion Hefei should return the grants to local authorities along with the associated interest for the period of the utilizing the fund.

Octillion Hefei did not meet the evaluation criteria for the development of the high-performance EV batteries before September 30, 2018, and it has not yet return the fund to the government. As a result, the Group classified the received government grant and its associated interest to trade and other payables after September 30, 2018.

(e) Provision for potential dispute

In April 2016, Shanghai Taishan Tianyi Venture Capital Partnership (Limited Partnership) (“Shanghai Taishan”), which is an affiliate of one of the Company’s shareholders, TDRH Capital Co., Limited, commenced an arbitration proceeding against SinoEV Changzhou, Peng Zhou, the Company’s principal founder, chief executive officer and director, and the Company to claim its right to invest RMB35,670 thousand in SinoEV Changzhou for 31.11% of its outstanding ordinary shares in connection with an investment agreement entered into among SinoEV Changzhou, Peng Zhou, Shanghai Taishan and the Company in 2015. The proceedings resulted in an arbitration award made on August 27, 2018 which declined Shanghai Taishan’s requested remedy for SinoEV Changzhou to accept Shanghai Taishan’s investment and issue equity interests to Shanghai Taishan on the basis that the requisite board approval and other consents for the issuance of the equity interests by SinoEV Changzhou had not been obtained. However, the arbitration award held that the investment agreement had become effective and that SinoEV Changzhou, Peng Zhou and the Company had breached obligations under the investment agreement. Shanghai Taishan may commence another arbitration, lawsuit or other proceeding against SinoEV Changzhou, Peng Zhou or the Company for other remedies, including damages or specific performance, based on the investment agreement. Since the grant of the arbitration award in August 2018, Shanghai Taishan issued several legal letters to the Group and Peng Zhou to ask for remedies, but as of the date of this report, Shanghai Taishan had never commenced any arbitration or litigation against the Group or Peng Zhou in relation thereto. The outcome of any legal proceeding, including potential further actions by Shanghai Taishan, is uncertain. Even if the Company successfully defends itself, the Company may incur substantial costs, time and efforts to defend against any legal action. As of December 31, 2021, 2022 and 2023 and April 30, 2024, the Group has recorded a provision balance for potential claim of RMB66,067 thousand, RMB66,811 thousand, RMB67,602 thousand and RMB67,886 thousand, respectively, based on a weighted average of various possible outcomes in accordance with relevant facts and circumstances and the terms of the investment agreement. Peng Zhou has agreed to indemnify the Group for losses arising from this potential dispute, which shall be conditional on and take effect immediately upon the [REDACTED].

APPENDIX I

ACCOUNTANT’S REPORT

Trade payables are mainly related to the purchase of raw materials for manufacturing automobile battery packs such as electric cells, electronic components and modules. The credit term of trade payables granted to the Group is usually 60 to 120 days. The carrying amount of the Group’s trade payables is denominated in the following currencies:

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB’000	RMB’000	RMB’000	2024
RMB	771,034	1,611,384	1,169,015	906,340
INR	320	22,323	183,612	230,663
USD	147	95	501	9,331
	<u>771,501</u>	<u>1,633,802</u>	<u>1,353,128</u>	<u>1,146,334</u>

As of December 31, 2021, 2022 and 2023 and April 30, 2024, the fair value of trade payables approximated to their carrying amount.

Aging analysis of trade payables based on the invoice date of the trade payables at the respective reporting dates are as follows:

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB’000	RMB’000	RMB’000	2024
Within 3 months	663,750	1,402,254	1,205,233	711,567
3-6 months	94,179	200,618	97,856	298,035
6-9 months	4,320	1,666	5,149	62,048
9-12 months	102	16,462	384	27,910
Over 12 months	9,150	12,802	44,506	46,774
	<u>771,501</u>	<u>1,633,802</u>	<u>1,353,128</u>	<u>1,146,334</u>

Company

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB’000	RMB’000	RMB’000	2024
Provision for potential dispute	66,067	66,811	67,602	67,886
Payables to uncontactable third-party payor	21,107	23,057	23,444	23,522
Accrued expenses	7,939	5,006	4,405	10,154
Payables to non-controlling shareholders of SinoEV				
Changzhou	74,950	–	–	–
Others	1,132	16	2,940	104
	<u>171,195</u>	<u>94,890</u>	<u>98,391</u>	<u>101,666</u>

APPENDIX I

ACCOUNTANT’S REPORT

36 DIVIDEND DISTRIBUTION

In July 2023, Octillion JV declared cash dividends of RMB3,000 thousand to its shareholders, among which, RMB1,500 thousand was paid to Anhui Jianghuai Automobile Group Corp., Ltd., the non-controlling shareholder of Octillion JV (Note 42).

No dividend has been paid or declared by the Company since its incorporation and up to April 30, 2024.

37 CONVERTIBLE LOAN

In May 2019, the Company received cash proceeds of US\$3,500 thousand. In May 2020, Mahayana, EASE and the Company entered into a memorandum to clarify above US\$3,500 thousand was a convertible loan provided by EASE with no interest. The maturity date of the convertible loan was January 31, 2022. The convertible loan could be converted into the Company’s ordinary shares at EASE’s option at anytime prior to the maturity. The conversion price was determined as the lower of US\$10 per share and the issuance price of the Company’s next round of financing.

Upon the issuance of Series F preferred shares on December 28, 2021, EASE selected to convert the loan into 350,000 ordinary shares of the Company. The fair value of the convertible loan was RMB36,863 thousand at the date of conversion, the Company derecognized the carrying value of the convertible loan liabilities of RMB36,863 thousand, with an increase in the equity of RMB36,863 thousand upon the conversion. For the year ended December 31, 2021, the Company recognized the loss of RMB11,403 thousand for the change in fair value of the convertible loan.

The movement of convertible loan during the Track Record Period is shown in Note 5 Fair value estimation.

38 DEFERRED GOVERNMENT GRANTS

(a) Current deferred government grants

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Deferred government grants	3,860	3,860	3,860	3,860

(b) Non-current deferred government grants

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Asset related government grants	9,293	7,588	6,990	6,393

39 CURRENT TAX LIABILITIES

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Income tax payable	964	1,477	18,579	4,740

APPENDIX I

ACCOUNTANT’S REPORT

40 NOTE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Cash generated from/(used in) operations

	Year ended December 31,			Four months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
(Loss)/profit before income tax	(64,883)	110,404	71,827	(33,293)	(38,350)
Adjustments for					
Depreciation and amortization	35,453	52,107	68,189	20,570	36,948
Net impairment (reversal)/ losses on financial assets	(1,429)	(707)	11,338	1,315	305
(Reversal of)/provisions for the impairment of inventories	(2,781)	14,705	35,410	(1,766)	89
Share-based compensation	13,309	3,428	50,567	368	22,936
Share-based payments to the investors in relation to the share issuance and share modification (<i>Note 30</i>)	13,752	914	–	–	–
Net losses/(gains) on disposal of property, plant and other non-current assets	519	2,312	3,004	65	(85)
Changes in the fair value of financial instruments at FVPL	11,403	(470)	(2,362)	(496)	(706)
Finance costs/(income) – net	43,430	10,985	(447)	1,094	(590)
Net exchange differences	247	9,777	10,121	1,382	3,741
Change in operating assets and liabilities					
(Increase)/decrease in restricted cash	(32,484)	24,500	(32,830)	(14,982)	(12,380)
(Increase)/decrease in trade receivables and notes receivables	(607,509)	(818,547)	(225,034)	707,938	(346,367)
Increase in contract assets	–	–	(7,189)	(3,788)	(1,506)
(Increase)/decrease in prepayments, deposits and other assets	(16,806)	8,756	(72,970)	(38,688)	(20,120)
Decrease/(increase) in inventories	36,229	(338,647)	(115,861)	(319,354)	101,963
Increase/(decrease) in tax payables	22,555	5,191	1,408	(6,311)	(14,458)
Increase/(decrease) in trade payables and notes payable	507,547	1,234,563	(430,107)	(356,759)	(246,687)

APPENDIX I

ACCOUNTANT’S REPORT

	Year ended December 31,			Four months ended	
	2021	2022	2023	April 30,	
	RMB'000	RMB'000	RMB'000	2023	2024
				<i>(Unaudited)</i>	
(Decrease)/increase in contract liabilities	(29,797)	18,848	(30,962)	10,834	(1,012)
Decrease in deferred revenue	(3,019)	(3,956)	(598)	(2,009)	(597)
Increase/(decrease) in other payables	87,209	76,113	43,041	2,660	(20,461)
Cash generated from/ (used in) operations	12,945	410,276	(623,455)	(31,220)	(537,337)

(b) Non-cash investing and financing activities

	Year ended December 31,			Four months ended	
	2021	2022	2023	April 30,	
	RMB'000	RMB'000	RMB'000	2023	2024
				<i>(Unaudited)</i>	
Rent exemption	2,071	7,090	6,309	3,547	1,381
Offsetting rent payables against trade receivables	4,010	3,000	3,100	1,100	2,480
Offsetting borrowing against factored trade receivables	63,802	89,143	767,966	5,001	412,850
Conversion of the entrusted loan <i>(Note 34)</i>	133,210	–	–	–	–
Conversion of the convertible loan <i>(Note 37)</i>	36,863	–	–	–	–
Acquisition of right-of-use assets through lease arrangements <i>(Note 19)</i>	17,984	24,729	17,242	–	76,684
Surrender of senior ordinary shares <i>(Note 30)</i>	19,551	–	–	–	–

(c) Net cash reconciliation

Set out below is an analysis of net cash and the movements in net cash for each of the years/period presented.

	As at December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Cash and cash equivalents	460,787	450,578	450,173	433,037
Borrowings <i>(Note 34)</i>	(70,544)	(192,867)	(271,091)	(269,263)
Lease liabilities <i>(Note 32)</i>	(32,743)	(41,678)	(39,485)	(109,865)
Others <i>(Note 35)</i>	(74,950)	–	–	–
Net cash	282,550	216,033	139,597	53,909

APPENDIX I

ACCOUNTANT’S REPORT

	Liabilities from financing activities				Other assets		Total
	Borrowings	Lease liabilities	Convertible loan	Others	Sub-total	Cash and cash equivalents	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at January 1, 2021	(177,943)	(25,287)	(26,192)	(71,894)	(301,316)	81,640	(219,676)
Financing cash flows	(56,716)	6,596	–	–	(50,120)	378,138	328,018
New leases	–	(17,984)	–	–	(17,984)	–	(17,984)
Non-cash settlement	197,012	6,081	36,863	–	239,956	–	239,956
Foreign exchange adjustments	3,209	(828)	732	142	3,255	1,009	4,264
Changes in the fair value	–	–	(11,403)	–	(11,403)	–	(11,403)
Finance costs	(36,106)	(1,321)	–	(3,198)	(40,625)	–	(40,625)
Net cash as at December 31, 2021	<u>(70,544)</u>	<u>(32,743)</u>	<u>–</u>	<u>(74,950)</u>	<u>(178,237)</u>	<u>460,787</u>	<u>282,550</u>
Net cash as at January 1, 2022	(70,544)	(32,743)	–	(74,950)	(178,237)	460,787	282,550
Financing cash flows	(203,450)	9,269	–	78,122	(116,059)	(41,493)	(157,552)
New leases	–	(24,729)	–	–	(24,729)	–	(24,729)
Non-cash settlement	89,143	10,090	–	–	99,233	–	99,233
Foreign exchange adjustments	1,203	(1,503)	–	(1,079)	(1,379)	31,284	29,905
Finance costs	(9,219)	(2,062)	–	(2,093)	(13,374)	–	(13,374)
Net cash as at December 31, 2022	<u>(192,867)</u>	<u>(41,678)</u>	<u>–</u>	<u>–</u>	<u>(234,545)</u>	<u>450,578</u>	<u>216,033</u>
Net cash as at January 1, 2023	(192,867)	(41,678)	–	–	(234,545)	450,578	216,033
Financing cash flows	(835,390)	11,918	–	–	(823,472)	(6,181)	(829,653)
New leases	–	(17,242)	–	–	(17,242)	–	(17,242)
Non-cash settlement	767,966	9,409	–	–	777,375	–	777,375
Foreign exchange adjustments	2,139	579	–	–	2,718	5,776	8,494
Finance costs	(12,939)	(2,471)	–	–	(15,410)	–	(15,410)
Net cash as at December 31, 2023	<u>(271,091)</u>	<u>(39,485)</u>	<u>–</u>	<u>–</u>	<u>(310,576)</u>	<u>450,173</u>	<u>139,597</u>
(Unaudited)							
Net cash as at January 1, 2023	(192,867)	(41,678)	–	–	(234,545)	450,578	216,033
Financing cash flows	(71,499)	3,275	–	–	(68,224)	61,989	(6,235)
Non-cash settlement	5,001	4,647	–	–	9,648	–	9,648
Foreign exchange adjustments	831	(340)	–	–	491	(1,682)	(1,191)
Finance costs	(4,217)	(481)	–	–	(4,698)	–	(4,698)
Net cash as at April 30, 2023	<u>(262,751)</u>	<u>(34,577)</u>	<u>–</u>	<u>–</u>	<u>(297,328)</u>	<u>510,885</u>	<u>213,557</u>
Net cash as at January 1, 2024	(271,091)	(39,485)	–	–	(310,576)	450,173	139,597
Financing cash flows	(409,225)	4,069	–	–	(405,156)	(18,227)	(423,383)
New leases	–	(76,684)	–	–	(76,684)	–	(76,684)
Non-cash settlement	412,850	3,861	–	–	416,711	–	416,711
Foreign exchange adjustments	1,872	364	–	–	2,236	1,091	3,327
Finance costs	(3,669)	(1,990)	–	–	(5,659)	–	(5,659)
Net cash as at April 30, 2024	<u>(269,263)</u>	<u>(109,865)</u>	<u>–</u>	<u>–</u>	<u>(379,128)</u>	<u>433,037</u>	<u>53,909</u>

APPENDIX I

ACCOUNTANT’S REPORT

41 COMMITMENTS

(a) Capital commitments

Capital commitments during the Track Record Period were primarily relating to the acquisition of property, plant and equipment, intangible assets and lease payment. As of December 31, 2021, 2022 and 2023 and April 30, 2024, the total amount of capital expenditures contracted for but not yet incurred was nil, RMB15,918 thousand, RMB24,156 thousand, RMB46,829 thousand and RMB8,394 thousand respectively.

	As at December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
Property, plant and equipment	15,918	24,156	46,829	93,553

42 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the Directors, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the Track Record Period.

Name of related parties	Relationship with the company
Mahayana	The Company’s principal shareholder
Peng Zhou	Principal founder, chief executive officer and director
Name of Party with Significant Relationships	Relationship with the company
Anhui Jianghuai Automobile Group Corp., Ltd. (“JAC”)	Non-controlling shareholder of Octillion JV

(b) Significant transactions with related parties

Trade in nature

(i) Sales of products

	Year ended December 31,			Four months ended	
	2021	2022	2023	April 30,	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
JAC	861,344	1,745,622	830,288	252,381	137,345

APPENDIX I

ACCOUNTANT’S REPORT

(ii) *Providing product upgrade service*

	Year ended December 31,			Four months ended	
	2021	2022	2023	April 30,	2024
	RMB'000	RMB'000	RMB'000	2023	RMB'000
				(Unaudited)	
JAC	–	1,326	476	–	–

(iii) *Purchase of materials*

	Year ended December 31,			Four months ended	
	2021	2022	2023	April 30,	2024
	RMB'000	RMB'000	RMB'000	2023	RMB'000
				(Unaudited)	
JAC	778	1,354	4,344	1,791	17

(iv) *Addition to right-of use assets resulted from lease of factories*

	Year ended December 31,			Four months ended	
	2021	2022	2023	April 30,	2024
	RMB'000	RMB'000	RMB'000	2023	RMB'000
				(Unaudited)	
JAC	24,274	–	–	–	27,438

(v) *Payment of interest expenses for lease liabilities*

	Year ended December 31,			Four months ended	
	2021	2022	2023	April 30,	2024
	RMB'000	RMB'000	RMB'000	2023	RMB'000
				(Unaudited)	
JAC	955	579	186	109	347

(vi) *Receiving of services*

	Year ended December 31,			Four months ended	
	2021	2022	2023	April 30,	2024
	RMB'000	RMB'000	RMB'000	2023	RMB'000
				(Unaudited)	
JAC	236	4,314	3,512	1,471	384

APPENDIX I

ACCOUNTANT’S REPORT

Non-trade in nature

(i) *Collection of Series E preferred share subscription receivables*

	Year ended December 31,			Four months ended	
	2021	2022	2023	April 30, 2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Mahayana	22,604	–	20,017	–	–
Peng Zhou	–	–	3,653	–	–
	<u>22,604</u>	<u>–</u>	<u>23,670</u>	<u>–</u>	<u>–</u>

(ii) *Surrender of Share Capital and Share Premium*

	Year ended December 31,			Four months ended	
	2021	2022	2023	April 30, 2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Mahayana (Note 30)	<u>19,551</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

(iii) *Dividend distribution*

	Year ended December 31,			Four months ended	
	2021	2022	2023	April 30, 2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
JAC	<u>–</u>	<u>–</u>	<u>1,500</u>	<u>–</u>	<u>–</u>

(c) **Balances with related parties**

Group

Trade in nature

(i) Trade receivables

	As of December 31,			As of
	2021	2022	2023	April 30, 2024
	RMB'000	RMB'000	RMB'000	RMB'000
JAC	199,903	56,859	41,408	136,194
Less: allowance for impairment	<u>(1,761)</u>	<u>(2,251)</u>	<u>(1,701)</u>	<u>(2,558)</u>
	<u>198,142</u>	<u>54,608</u>	<u>39,707</u>	<u>133,636</u>

APPENDIX I

ACCOUNTANT’S REPORT

(ii) Trade and other payables

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
JAC	200	2,100	1,147	1,151
	<u>200</u>	<u>2,100</u>	<u>1,147</u>	<u>1,151</u>

(iii) Prepayments, deposits and other current assets

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
JAC	250	306	501	501
	<u>250</u>	<u>306</u>	<u>501</u>	<u>501</u>

(iv) Contract liabilities

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
JAC	–	1,869	–	–
	<u>–</u>	<u>1,869</u>	<u>–</u>	<u>–</u>

(v) Lease liabilities

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
JAC	16,564	8,478	–	23,235
	<u>16,564</u>	<u>8,478</u>	<u>–</u>	<u>23,235</u>

(vi) Guarantees provided by

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Peng Zhou	6,000	35,000	–	–
	<u>6,000</u>	<u>35,000</u>	<u>–</u>	<u>–</u>

All the guarantees provided by Mr. Peng Zhou have been released by October 2023.

APPENDIX I

ACCOUNTANT’S REPORT

Non-trade in nature

(i) *Subscription receivables for Series E preferred shares due from the investors*

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Mahayana	17,852	19,501	–	–
Peng Zhou	3,258	3,559	–	–
	<u>21,110</u>	<u>23,060</u>	<u>–</u>	<u>–</u>
Less: allowance for impairment	(677)	(754)	–	–
	<u>20,433</u>	<u>22,306</u>	<u>–</u>	<u>–</u>

Company

Non-trade in nature

(i) *Other receivables*

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Octillion US	176,349	241,389	268,941	269,838
Octillion HK	159,407	174,131	177,084	177,672
Octillion Hefei	14,027	19,501	–	21,319
Mahayana	17,852	19,501	–	–
Peng Zhou	3,258	3,559	–	–
	<u>370,893</u>	<u>458,081</u>	<u>446,025</u>	<u>468,829</u>
Less: allowance for impairment	(7,813)	(10,243)	(9,523)	(9,889)
	<u>363,080</u>	<u>447,838</u>	<u>436,502</u>	<u>458,940</u>

(ii) *Other payables*

	As of December 31,			As of
	2021	2022	2023	April 30,
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Octillion US	<u>155</u>	<u>171</u>	<u>22,291</u>	<u>22,365</u>

APPENDIX I

ACCOUNTANT’S REPORT

43 CONTINGENCIES

In September 2023, certain imported lithium-ion cells of Octillion India were detained by the Directorate of Revenue Intelligence (“DRI”) of India for examination, on the grounds of alleged misdeclaration of these cells and incorrectly claiming the 5% concessional rate of duty on the import of these cells, instead of the 20% import duty. The lithium-ion cells detained were provisionally released upon the Group’s fulfillment of certain conditions set forth in a vide order dated October 6, 2023 (the “Order of Provisional Release of Goods”), including the execution of a bond of INR609.5 million (equivalent to approximately RMB51.9 million) with an undertaking that the Group shall pay the duty, fine and/or penalty as may be adjudged by the Indian authority and a bank guarantee of INR411.5 million (equivalent to approximately RMB35.0 million) for differential duty and possible fines and penalties that may be imposed. Octillion India further paid an additional amount of INR14,589 (equivalent to approximately RMB1,242) towards the bond. The Group has contended that the calculations of the bank guarantee failed to take into account the duty of INR56.6 million (equivalent to approximately RMB4.8 million) paid while clearing the goods by Octillion India. After the incident, Octillion India has continued to import the battery cells as “cells” and pay the import duty at the rate of 5%, with the remaining 15% duty being deposited by Octillion India by way of a bank guarantee in favor of the customs authorities after communications with the relevant authorities. As of April 30, 2024, other than the bond of INR609.5 million (equivalent to approximately RMB51.9 million) placed by Octillion India with undertaking, Octillion India has also issued bank guarantees in favor of Commissioner of Customs in relation to ongoing custom duty incident in India. Octillion India has placed bank deposits of INR944.2 million (equivalent to approximately RMB80.4 million) which are recorded as restricted short-term investments as collateral for the above bank guarantees to permit the potential deduction upon future execution of bank guarantees, if required. An appeal has been filed with the Customs, Excise and Service Tax Appellate Tribunal requesting to set aside the bank guarantee amount to the extent of excess differential duty paid of INR56.6 million (equivalent to approximately RMB4.8 million) and to set aside the Order for Provisional Release of Goods and the goods to be cleared without any bond and bank guarantee, or, in the alternative, reduce the bond and bank guarantee to 10% of the actual differential duty amount without penalty, fine or interest against the current 15% differential duty amount and possible fines and penalties as the issue is of classification of product.

As of the date of this report, the Group is in process of further evaluating the matter with Indian authorities. The Group has been advised by its Indian legal counsels that it is likely that the adjudicating authorities decide the matter in favor of the Group based on the expert opinions obtained from governmental bodies, professors, Indian institutes of technical education and testing agencies and laboratories to support that the cells are “cells” with 5% import duty and not “batteries” with 20% import duty. Accordingly, the Group is of the view that the bond and bank guarantee will be released by the India authorities upon the conclusion of this matter, and the potential outflow for the payments of 15% differential duty amount or fines or penalties is not probable, therefore, no provision has been made as of April 30, 2024.

There are no other significant contingent liabilities as December 31, 2021, 2022 and 2023 and April 30, 2024.

44 SUBSEQUENT EVENT

[There have been no material events subsequent to the Track Record Period.]

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to April 30, 2024 and up to the date of this report.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on [●] and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in the section headed "Documents Delivered to the Registrar of Companies and Available on Display – Documents Available on Display" in Appendix V to this document.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on [●] and include provisions to the following effect:

2.1 *Directors*

(a) Power to allot and issue Shares

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) Power to dispose of the assets of the Company or any subsidiary

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) Compensation or payment for loss of office

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

(d) Loans to Directors

There are no provisions in the Articles of Association relating to making of loans to Directors.

(e) Financial assistance to purchase Shares

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realized by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall the Director be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all traveling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

(h) Retirement, appointment and removal

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

- (i) the Director gives notice in writing to the Company that he resigns the office of Director;
- (ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;
- (iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (iv) the Director is found to be or becomes of unsound mind; or
- (v) the Director is removed from office by notice in writing served upon such Director signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors then in office (including such Director).

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorized representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

2.4 Alteration of capital

The Company may by ordinary resolution:

- (a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
- (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and
- (d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.6 *Voting rights*

Subject to any rights or restrictions attached to any shares, at any general meeting every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have (a) the right to speak; (b) one vote on a show of hands; and (c) one vote for every share of which he is the holder on a poll.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorized representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorize such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorized shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which that person represents as that recognized clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorization, including the right to speak and, where a show of hands is allowed, the right to vote individually on a show of hands.

2.7 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. An annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

2.8 Accounts and audit

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorized by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and
- (b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is canceled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

- (a) the Company shall endeavor to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;
- (b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

- (c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favor of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on at least 10 business days' notice (or on at least 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorized by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorize payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realized or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorized in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorized representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner (including by electronic means) by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by installments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

A call shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or installment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorized representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorized representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

- (a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;
- (b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on October 30, 2009 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account." At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

- (a) is or is likely to become unable to pay its debts; and
- (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

18 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

19 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

20 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The undertaking is for a period of twenty years from November 17, 2009.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

21 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

22 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available on Display – Documents Available on Display" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act on October 30, 2009. Our registered office is at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Accordingly, our corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Articles of Association is set out in Appendix III to this document.

Our principal place of business in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 18, 2023. Ms. Yuet Fan Cheung and Ms. Choi Ha Cheng have been appointed as our agents for the acceptance of service of process and notices in Hong Kong.

2. Changes in the Share Capital of Our Company

As of the date of our incorporation, our authorized share capital was US\$1,000, divided into 10,000,000 Shares of a par value of US\$0.0001 each.

The following changes in the share capital of our Company have taken place within the two years immediately preceding the date of this document:

- (a) pursuant to a supplemental agreement to the Series F preference shares purchase agreement dated July 8, 2022, NXP B.V. agreed to subscribe for 169,491 Series F preferred shares of our Company at a total consideration of US\$3,000,000;
- (b) on June 13, 2023 our Company repurchased 78,620 senior ordinary shares and 344,586 senior ordinary shares from Dr. Zhou and Mahayana at a consideration of US\$511,000 and US\$2.8 million, respectively; and
- (c) pursuant to the resolutions passed at a duly convened general meeting of our Shareholders on [●] as set out below, the authorized share capital of our Company was increased to US\$[200,000] dividend into [2,000,000,000] Shares of a par value of US\$0.0001 each by the creation of an additional [1,882,786,524] Shares.

Save as disclosed above and in the section headed “History, Reorganization and Corporate Structure,” there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this document.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

3. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are set out in the Accountant's Report, the text of which is set out in Appendix I to this document.

There has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

4. Resolutions of the Shareholders Passed on [●]

Pursuant to the resolutions passed at a duly convened general meeting of our Shareholders on [●], it was resolved, among others:

- (a) the Memorandum of Association and Articles of Association were approved and adopted, and will come into effect upon [REDACTED];
- (b) the authorized share capital of our Company was increased from US\$11,721.3476 divided into (i) 50,501,975 Shares; (ii) 27,119,499 senior ordinary shares; and (iii) 39,592,002 preference shares, 2,251,503 of which shall be designated as Series A preference shares, 7,060,617 of which shall be designated as Series B preference shares, 9,800,000 of which are designated as Series C preference shares, 948,485 of which shall be designated as Series C-1 preference shares, 8,000,000 of which shall be designated as Series D preference shares, 6,446,652 of which are designated as Series E preference shares, and 5,084,745 of which shall be designated as Series F preference shares to (i) [1,933,288,499] Shares; (ii) 27,119,499 senior ordinary shares; and (iii) 39,592,002 preference shares, 2,251,503 of which shall be designated as Series A preference shares, 7,060,617 of which shall be designated as Series B preference shares, 9,800,000 of which are designated as Series C preference shares, 948,485 of which shall be designated as Series C-1 preference shares, 8,000,000 of which shall be designated as Series D preference shares, 6,446,652 of which are designated as Series E preference shares, and 5,084,745 of which shall be designated as Series F preference shares by the creation of an additional [1,882,786,524] Shares ranking *pari passu* in all respect with the existing Shares with immediate effect;
- (c) conditional on (1) the Listing Committee granting the [REDACTED] of, and permission to [REDACTED], the Shares in issue and to be issued as mentioned in this document; (2) the execution and delivery of the [REDACTED] on or about [●]; and (3) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of the [REDACTED] or otherwise:
 - (i) the [REDACTED] was approved and our Directors were authorized to effect the same and to allot and issue the [REDACTED] pursuant to the [REDACTED];

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (ii) the grant of the [REDACTED] by the Company to the [REDACTED] to allot and issue up to 15% of the [REDACTED] initially available under the [REDACTED] to cover, among other things, the [REDACTED] in the [REDACTED] was approved;
 - (iii) each of the authorized and issued (a) 27,119,499 senior ordinary shares; and (b) 39,592,002 preference shares, 2,251,503 of which shall be designated as Series A preference shares, 7,060,617 of which shall be designated as Series B preference shares, 9,800,000 of which are designated as Series C preference shares, 948,485 of which shall be designated as Series C-1 preference shares, 8,000,000 of which shall be designated as Series D preference shares, 6,446,652 of which are designated as Series E preference shares, and 5,084,745 of which shall be designated as Series F preference shares, be redesignated and reclassified as Shares on a one-to-one basis, having the rights and restrictions as set out in the Memorandum and the Articles such that the authorized share capital of our Company be changed to US\$[200,000] dividend into [2,000,000,000] Shares, with each Share ranking *pari passu* in all respects with the existing Shares;
 - (iv) the rules of the Post-[REDACTED] Share Option Scheme were approved and adopted and our Directors or any committee thereof established by our Board were authorized, at their sole discretion, to grant options to subscribe for Shares under the Post-[REDACTED] Share Option Scheme and to allot and issue the Shares pursuant to the exercise of options granted under the Post-[REDACTED] Share Option Scheme and to take such action as they consider necessary, expedient or desirable to implement the Post-[REDACTED] Share Option Scheme; and
 - (v) the proposed [REDACTED] was approved and our Directors were authorized to implement such [REDACTED];
- (d) upon the redesignation and reclassification of the share capital of our Company referred in paragraph (b)(iii) above, to approve the capitalization and the issue of Shares of all or a portion, as the case may be, of the balance of the share premium account and applying such sum in paying up in full at nominal value a total of [REDACTED] Shares for allotment and issue to the holders of the Shares on the register of members of the Company at the close of business on the date immediately preceding the date on which the [REDACTED] becomes unconditional in proportion to their respective shareholdings in the Company (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share), and the Shares to be allotted and issued shall rank *pari passu* in all respects with the existing issued Shares, conditional upon the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of [REDACTED] pursuant to the [REDACTED];

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (e) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate number of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed 20% of the number of issued Shares (excluding treasury shares) immediately following completion of the Capitalization Issue and the [REDACTED].

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or scrip dividend scheme or similar arrangements or a specific authority granted by our Shareholders or upon the exercise of the [REDACTED] or the exercise of Awards which were granted under the Pre-[REDACTED] Share Incentive Scheme or may be granted under the Post-[REDACTED] Share Option Scheme. This general mandate to issue Shares will remain in effect until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company,

whichever is the earliest;

- (f) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase Shares representing up to 10% of the number of the issued Shares (excluding treasury shares) immediately following completion of the Capitalization Issue and the [REDACTED] (excluding Shares which may be allotted and issued upon the exercise of the [REDACTED] or the exercise of Awards which were granted under the Pre-[REDACTED] Share Incentive Scheme or may be granted under the Post-[REDACTED] Share Option Scheme).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. This general mandate to repurchase Shares will remain in effect until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest; and

(g) the general unconditional mandate as mentioned in paragraph (c) above would be extended by the addition to the aggregate number of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the number of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (d) above (up to 10% of the aggregate number of the issued Shares (excluding treasury shares) immediately following completion of the Capitalization Issue and the [REDACTED], excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the [REDACTED] or the exercise of options which were granted under the Pre-[REDACTED] Share Incentive Scheme or may be granted under the Post-[REDACTED] Share Option Scheme).

5. Repurchase of our Shares

This section sets out information required by the Stock Exchange to be included in this document concerning the repurchase by us of our own Shares.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own Shares on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders' Approval*

All proposed repurchase of Shares (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) *Source of Funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the constitutive documents of a listed company, the laws of the jurisdiction in which the listed company is incorporated or otherwise established. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, any repurchases by a listed company may be made out of the funds which would otherwise be available for dividend or distribution or out of the proceeds of a new

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

issue of shares made for the purpose of the repurchase. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of our share premium account.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue (excluding treasury shares).

A company may not (1) make a new issue, or a sale or transfer of any treasury shares; or (2) announce a proposed new issue of shares, or a sale or transfer of any treasury shares for a period of 30 days immediately following a repurchase (other than an issue of securities or a sale or transfer of treasury shares pursuant to an exercise of warrants, share options or similar instruments requiring our Company to issue, sell or transfer securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. A company may not purchase any of its own securities on the Stock Exchange for a period of 30 days after any sale or transfer of any treasury shares of the company on the Stock Exchange, without the prior approval of the Stock Exchange.

In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

A listed company may not make any repurchase of shares after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for a listed company to announce its results for any year or half-year under the Listing Rules,

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances.

(iv) Status of Repurchased Shares

Under the laws of the Cayman Islands, the Shares repurchased may (i) be treated by our Company as cancelled; or (ii) be held by our Company as treasury shares, and in each case the aggregate amount of authorized share capital would not be reduced.

Our Company may re-deposit its treasury Shares into [REDACTED] established and operated by [REDACTED] only if it has an imminent plan to resell them on the Stock Exchange, and it should complete the resale as soon as possible. For any treasury shares deposited with [REDACTED] pending resale on the Stock Exchange, our Company will have appropriate measures to ensure that it would not exercise any Shareholders' rights or receive any entitlements which would otherwise be suspended under the relevant laws with respect to treasury shares. These measures include, for example, an approval by the Board that (i) our Company should procure its broker not to give any instructions to [REDACTED] to vote at general meetings for the treasury shares deposited with [REDACTED] pending resale; and (ii) in the case of dividends or distributions, our Company should withdraw the treasury shares from [REDACTED], and either re-register them in our Company's name as treasury shares or cancel them, in each case before the record date for the dividends or distributions.

Holders of treasury shares (if any) shall abstain from voting on matters that require Shareholders' approval at the Company's general meetings.

(v) Reporting Requirements

Certain information relating to repurchases of shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day on which the listed company makes a purchase of its shares. The report must state the total number of shares purchased by the listed company the previous day, the purchase price per share or the highest and lowest prices paid for such purchases. In addition, a listed company's annual report is required to disclose details regarding repurchases of shares made during the year, including the number of shares repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(vi) Core Connected Persons

A listed company is prohibited from knowingly repurchasing its shares from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling its shares to the company.

(b) Reasons for Repurchase

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and the Shareholders. When exercising the Repurchase Mandate, our Directors may, subject to market conditions and our Company's capital management needs at the relevant time of the repurchases, resolve to cancel the Shares repurchased following settlement of any such repurchase or hold them as treasury shares. On one hand, Shares repurchased for cancellation may, depending on the market conditions, funding arrangement at the time, lead to an enhancement of the net assets value per Share. On the other hand, Shares repurchased and held by our Company as treasury shares may be resold on the market at market prices to raise funds for our Company, or transferred or used for other purposes, subject to compliance with the Listing Rules, the Articles of Association, and the laws of the Cayman Islands. Our Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time having regard to the circumstances then pertaining. Repurchase of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of Repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the Companies Act or other applicable laws of Cayman Islands and the Listing Rules. On the basis of our current financial condition as disclosed in this document and taking into account our current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this document. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(d) General

Exercise in full of the current repurchase mandate, on the basis of [REDACTED] Shares in issue after completion of the Capitalization Issue and the [REDACTED] (without taking into account of the Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or the exercise of options which were granted under the Pre-[REDACTED] Share Incentive Scheme or may be granted under the Post-[REDACTED] Share Option Scheme), could accordingly result in up to [REDACTED] Shares being repurchased by us during the period prior to the earliest of:

- (i) the conclusion of our next annual general meeting;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held; or
- (iii) the date on which the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to us or our subsidiaries. Our Directors have undertaken with the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Memorandum of Association and Articles of Association, the Companies Act or any other applicable laws of Cayman Islands.

If, as a result of a repurchase of our Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

No core connected person, as defined in the Listing Rules, has notified us that he/she or it has a present intention to sell his/her or its Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

6. Our Corporate Reorganization

The companies comprising our Group underwent corporate restructuring in preparation for the [REDACTED]. Please refer to the section headed "History, Reorganization and Corporate Structure" for further details.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

1. Summary of Material Contracts





The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this document and are or may be material:

- (a) the ninth amended and restated voting agreement dated October 13, 2023 entered into among our Company, Dirgha Peak Holding Limited, David Pariseau, Paul Tsao, Ananda Energy Holdings Limited, Agama Pole Holding Limited, Michele P. Donoughe, Manjushri Global Holding Limited, Mingly China Growth Fund, L.P., SVIC No. 15 New Technology Business Investment LLP, SVIC No. 24 New Technology Business Investment LLP, SBCVC Fund V Pte Ltd, Southern Cross REVC Trusco Pty Limited, Mahayana Energy Global Limited, Starlite Investment Group LLC, Starlite Investment Group NV LLC, Power Sino Development Limited, Sky Green Enterprises Limited, Ease Fortune International Limited, Xincheng Capital Fund, L.P., Xincheng Capital Fund II, L.P., pursuant to which certain voting rights with respect to the shares of our Company were agreed among the parties; and
- (b) the [REDACTED].

2. Our Material Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be material to our business:

No.	Trademark	Place of registration	Registered Owner	Registration no.	Class	Registration Date	Expiry date
1		PRC	Octillion Hefei	11655834	9	March 28, 2014	March 27, 2034
2		PRC	Octillion Hefei	11655833	12	March 28, 2014	March 27, 2034
3		Hong Kong	Octillion US	305788685	9, 12	November 1, 2021	October 31, 2031
4		Hong Kong	Octillion US	305788694	9, 12	November 1, 2021	October 31, 2031

APPENDIX IV STATUTORY AND GENERAL INFORMATION

(b) Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be material to our business:

No. Patent		Place of registration	Name of patent holder	Patent no.	Class	Application date	Date of grant	Valid period
1	Method of making fusible links	US	Our Company	US8486283B2	H01	November 2, 2010	July 16, 2013	January 18, 2032
2	Method of making fuse wire* (熔斷絲的製造方法)	PRC	Our Company	CN103238199B	H01	October 31, 2011	January 20, 2016	October 31, 2031
3	Method of making fusible links	US	Our Company	US9023218B2	H01	July 9, 2013	May 5, 2015	November 2, 2030
4	Thermal interlock for battery pack, device, system and method* (電池組的熱互鎖、設備、系統及方法)	PRC	Our Company	CN103250299B	H01	October 31, 2011	August 17, 2016	October 31, 2031
5	Battery pack enumeration method	US	Our Company	US8659261B2	H02	November 2, 2010	February 25, 2014	August 13, 2032
6	Recording systems and recording methods* (記錄系統和記錄方法)	PRC	Our Company	CN102270868B	H02	July 13, 2011	July 16, 2014	July 13, 2031
7	Battery pack fault communication and handling system and methods* (電池包故障通訊與處理系統及其處理方法)	PRC	Our Company	CN102354957B	H02	July 13, 2011	September 24, 2014	July 13, 2031
8	Battery pack fault communication and handling	US	Our Company	US9172120B2	H02	November 2, 2010	October 27, 2015	April 10, 2034
9	A kind of battery assembly module* (一種電池組裝模組)	PRC	Octillion Hefei	CN106169546B	H01	August 29, 2016	November 23, 2018	August 29, 2036
10	A kind of battery cell heat dissipation device and power supply device* (一種電芯散熱裝置及電源裝置)	PRC	Octillion Hefei	CN106654440B	H01	October 18, 2016	May 26, 2020	October 18, 2036

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Patent	Place of registration	Name of patent holder	Patent no.	Class	Application date	Date of grant	Valid period
11	A pressurized liquid-cooling system to suppress battery thermal instability* (一種增壓液冷抑制電池熱失穩系統)	PRC	Octillion Hefei	CN103985921B	H01	May 15, 2014	February 24, 2016	May 15, 2034
12	A solder joint detection method* (一種焊點檢測方法)	PRC	Octillion Hefei	CN106404533B	G01	August 29, 2016	October 22, 2019	August 29, 2036
13	Method and device for adjusting battery design* (調整電池設計的方法及裝置)	PRC	Octillion Hefei	CN108470944B	H01	March 9, 2018	December 24, 2019	March 9, 2038
14	SOH correction method and device* (SOH校正方法及裝置)	PRC	Octillion Hefei	CN108761343B	G01	June 5, 2018	October 16, 2020	June 5, 2038
15	Thermal management devices, power systems and thermal management methods* (熱管理裝置、電源系統及熱管理方法)	PRC	Octillion Hefei	CN110112507B	H01	May 23, 2019	February 12, 2021	May 23, 2039
16	Thermal management methods and devices* (熱管理方法和裝置)	PRC	Octillion Hefei	CN110176657B	H01	June 6, 2019	July 6, 2021	June 6, 2039
17	A kind of electric vehicle battery management system* (一種電動汽車電池管理系統)	PRC	Octillion Hefei	CN102582462B	B60	February 28, 2012	March 26, 2014	February 28, 2032
18	A kind of honeycomb fashion liquid-cooling device for lithium-ion batteries* (一種鋰電池的蜂窩式液冷裝置)	PRC	Octillion Hefei	CN103996888B	H01	May 26, 2014	November 23, 2016	May 26, 2034

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Patent	Place of registration	Name of patent holder	Patent no.	Class	Application date	Date of grant	Valid period
19	A method and device for detecting the consistency of single cells in a battery pack* (一種檢測電池組內單體電池一致性的方法和裝置)	PRC	Octillion Hefei	CN105021994B	G01	July 10, 2015	March 27, 2018	July 10, 2035
20	Electric vehicle charging control method and device* (電動車充電控制方法和裝置)	PRC	Octillion Hefei	CN106114269B	B60	August 5, 2016	July 17, 2018	August 5, 2036
21	Battery pack self-discharge detection method, battery pack controller and system* (電池組自放電檢測方法、電池組控制器及系統)	PRC	Octillion Miyuan	CN105527583B	G01	February 5, 2016	August 3, 2018	February 5, 2036
22	Battery health analysis method and device* (電池健康狀態分析方法及裝置)	PRC	Octillion Hefei	CN108572327B	G01	May 23, 2018	May 26, 2020	May 23, 2038
23	Battery modules and power batteries that realize battery instability protection* (實現電池失穩保護的電池模組和動力電池)	PRC	Octillion Hefei	CN106784487B	H01	January 17, 2017	July 18, 2023	January 17, 2037
24	Charging method and device* (充電方法和裝置)	PRC	Octillion Hefei	CN107171380B	H02	May 12, 2017	February 14, 2020	May 12, 2037
25	Battery modules and pouch batteries* (電池模組及軟包電池)	PRC	Octillion Hefei	CN106784429B	H01	January 18, 2017	July 18, 2023	January 18, 2037

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Patent	Place of registration	Name of patent holder	Patent no.	Class	Application date	Date of grant	Valid period
26	A kind of liquid-cooling flat pipe potting structure and power supply device* (一種液冷扁管灌封結構及電源裝置)	PRC	Octillion Hefei	CN105977578B	H01	July 25, 2016	January 4, 2019	July 25, 2036
27	Charging station, parking system and charging station control method* (充電樁、停車系統和充電樁控制方法)	PRC	Octillion Hefei	CN107415743B	B60	August 7, 2017	July 14, 2020	August 7, 2037
28	Battery testing device, method and battery pack system* (電池檢測裝置、方法及電池包系統)	PRC	Octillion Hefei	CN108414943B	G01	March 7, 2018	December 1, 2020	March 7, 2038
29	Lithium battery failure analysis methods, devices, electronic equipment and storage media* (鋰電池失效分析方法、裝置、電子設備和存儲介質)	PRC	Octillion Hefei	CN110618387B	G01	September 25, 2019	September 3, 2021	September 25, 2039
30	Welding fixtures and welding systems* (焊接工裝和焊接系統)	PRC	Octillion Hefei	CN108067801B	B23	January 31, 2018	May 7, 2024	January 31, 2038
31	Leakage detection devices, systems and electric vehicles* (漏液檢測裝置、系統及電動車)	PRC	Octillion Hefei	CN108318827B	G01	March 7, 2018	November 28, 2023	March 7, 2038
32	Thermal conduction device and power supply device* (導熱裝置及電源裝置)	PRC	Octillion Hefei	CN106816670B	H01	April 14, 2017	April 5, 2024	April 14, 2037

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No. Patent		Place of registration	Name of patent holder	Patent no.	Class	Application date	Date of grant	Valid period
33	Leak detection device and power supply device* (探漏裝置及電源裝置)	PRC	Octillion Hefei	CN107403972B	H01	September 8, 2017	March 8, 2024	September 8, 2037
34	Distributed thermal management system and battery* (分佈式熱管理系統及電池)	PRC	Octillion Hefei	CN106532192B	H01	January 17, 2017	May 7, 2024	January 17, 2037
35	Battery welding device and battery module* (電池焊接裝置及電池模組)	PRC	Octillion Hefei	CN107611329B	H01	September 18, 2017	March 8, 2024	September 18, 2037
36	Power systems and automobiles* (電源系統及汽車)	PRC	Octillion Hefei	CN107689469B	H01	October 11, 2017	May 10, 2024	October 11, 2037
37	Thermal management devices, methods and battery modules* (熱管理裝置、方法及電池模組)	PRC	Octillion Hefei	CN107959068B	H01	December 19, 2017	May 7, 2024	December 19, 2037

As of the Latest Practicable Date, we have applied for the registration of the following patents which we consider to be material to our business:

No. Patent		Place of registration	Name of applicant	Application no.	Class	Application date
1	Power supply unit and power supply system* (電源裝置及供電系統)	PRC	Octillion Hefei	2017100464669	H01	January 18, 2017
2	Thermal management devices and battery modules* (熱管理裝置及電池模組)	PRC	Octillion Hefei	2017108418137	H01	September 18, 2017
3	Battery modules, fire extinguishing devices and support junctions* (電池模組、滅火裝置及支撐結構)	PRC	Octillion Hefei	2018100458412	H01	January 17, 2018
4	Liquid-cooling device and battery module* (液冷裝置及電池模組)	PRC	Octillion Hefei	2018101576079	H01	February 24, 2018
5	Battery coolant leak detectors, battery cooling systems and vehicles* (電池冷卻液檢漏裝置、電池冷卻系統及車輛)	PRC	Octillion Hefei	2018102307192	H01	March 20, 2018

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No. Patent		Place of registration	Name of applicant	Application no.	Class	Application date
6	Buffer insulation structure, base unit module and pouch battery module* (緩衝隔熱結構、基礎單元模塊及軟包電池模組)	PRC	Octillion Hefei	2018103229059	H01	April 11, 2018
7	Welding inspection device and welding system* (焊接檢測裝置及焊接系統)	PRC	Octillion Hefei	2018104393559	G01	May 9, 2018
8	Battery cooling device and battery module* (電池冷卻裝置及電池模組)	PRC	Octillion Hefei	2017100738832	H01	February 10, 2017

(c) Domain Names

As of the Latest Practicable Date, we owned the following domain names which we consider to be material to our business:

No.	Domain name	Registered owner	Date of registration	Expiry date
1	octillion.cn	Octillion Hefei	April 1, 2016	April 1, 2026
2	octillion.com.cn	Octillion Hefei	April 1, 2016	April 1, 2026
3	octillionenergy.com	Octillion Hefei	April 1, 2016	April 1, 2026
4	octillionenergy.com.cn	Octillion Hefei	April 1, 2016	April 1, 2026
5	octillionenergy.cn	Octillion Hefei	April 1, 2016	April 1, 2026
6	octillion.us	Octillion US	March 23, 2014	March 23, 2032

(d) Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which we consider to be material to our business:

(i) Software copyrights

No.	Description of software	Copyright owner	Copyright registration number	Place of registration	Date of completion of development	Date of registration
1	BMS voltage acquisition process software V1.0	Octillion Miyuan	2019SR1190202	PRC	November 22, 2019	November 22, 2019
2	DBC analyze software V1.0	Octillion Miyuan	2019SR1190407	PRC	November 22, 2019	November 22, 2019
3	BMS united programming system V1.0	Octillion Miyuan	2019SR1190400	PRC	November 22, 2019	November 22, 2019

APPENDIX IV STATUTORY AND GENERAL INFORMATION

No.	Description of software	Copyright owner	Copyright registration number	Place of registration	Date of completion of development	Date of registration
4	A power battery pack insulation collection and judgment software V1.0* (一種動力電池組絕緣採集及判斷軟件 V1.0)	Octillion Miyuan	2019SR1192504	PRC	November 22, 2019	November 22, 2019
5	A static pressure reduction monitoring algorithm software V1.0* (一種靜態壓降監控算法軟件 V1.0)	Octillion Miyuan	2019SR1228666	PRC	November 22, 2019	November 28, 2019
6	A power battery temperature collection board software V1.0* (一種動力電池溫度採集板軟件 V1.0)	Octillion Miyuan	2019SR1228667	PRC	November 22, 2019	November 28, 2019
7	CAN communication control software V1.0* (一種主從式CAN 通訊控制軟件 V1.0)	Octillion Miyuan	2019SR1190193	PRC	November 22, 2019	November 22, 2019
8	HIL basic resource management software V1.0* (HIL台架基礎資源管理軟件 V1.0)	Octillion Miyuan	2019SR1191406	PRC	November 22, 2019	November 22, 2019
9	High efficiency control and calibration software for battery cabinets V1.0* (模擬電池櫃高效控制和標定軟件 V1.0)	Octillion Miyuan	2019SR1192388	PRC	November 22, 2019	November 22, 2019
10	Automatic testing software based on HIL V1.0* (基於HIL台架的自動測試軟件 V1.0)	Octillion Miyuan	2020SR0084952	PRC	January 16, 2020	January 16, 2020
11	A software that assesses the discharge rate of battery V1.0* (一種動力電池自放電率判斷的軟件V1.0)	Octillion Miyuan	2020SR0232516	PRC	March 10, 2020	March 10, 2020
12	A software that assesses the thermal runaway of battery V1.0* (一種動力電池單體熱失控判斷的軟件 V1.0)	Octillion JV	2020SR0333263	PRC	April 15, 2020	April 15, 2020
13	SinoEV Battery Tester system 1.09.0520	Octillion Hefei	2012SR017977	PRC	March 8, 2012	March 8, 2012
14	SinoEV Battery Data logger system 1.09.0520	Octillion Hefei	2012SR017979	PRC	March 8, 2012	March 8, 2012
15	A software that generates a report of the conditions of electric vehicle battery* (電動汽車電池健康評估報告生成軟件)	Octillion Hefei	2016SR123594	PRC	May 30, 2016	May 30, 2016

APPENDIX IV STATUTORY AND GENERAL INFORMATION

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of our Company and our associated corporations

The following table sets out the interests and short positions of the Directors and chief executive of the Company immediately following completion of the Capitalization Issue and the [REDACTED] (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the exercise of options which were granted under the Pre-[REDACTED] Share Incentive Scheme or may be granted under the Post-[REDACTED] Share Option Scheme) in the Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are [REDACTED]:

Name of Director/Chief Executive	Capacity/nature of interest	Number of Shares after the Capitalization Issue and the [REDACTED]	Approximate percentage of shareholding in our Company immediately after the Capitalization Issue and the [REDACTED]
Dr. Zhou ⁽¹⁾	Beneficial interest	[REDACTED]	[REDACTED]
	Interest in controlled corporation	[REDACTED]	[REDACTED]
Mr. Yang Wang ⁽²⁾	Beneficial interest	[REDACTED]	[REDACTED]
Mr. Chengwei Xiao ⁽³⁾	Beneficial interest	[REDACTED]	[REDACTED]
Ms. Tina Lin-chi Ju ⁽⁴⁾	Interest of spouse	[REDACTED]	[REDACTED]
Mr. Alfred Tsai Chu ⁽⁵⁾	Interest in controlled corporation	[REDACTED]	[REDACTED]

APPENDIX IV STATUTORY AND GENERAL INFORMATION

Notes:

- (1) Being options for 14,010,570 Shares (as adjusted) and 4,232,060 RSUs granted pursuant to the Pre-[REDACTED] Share Incentive Scheme; 30,000,000 Shares (as adjusted) held by Dirgha Peak Holding Limited, a company wholly owned by Dr. Zhou; 1,353,910 Shares (as adjusted) held by Ananda Energy Holdings Limited, a company wholly owned by Dr. Zhou and 1,971,430 Shares (as adjusted) held by Agama Pole Holding Limited, a company indirectly wholly owned by Dr. Zhou. Dr. Zhou is therefore deemed to be interested in the Shares in which these companies are interested in by virtue of the SFO.
- (2) Being options for 8,092,000 Shares (as adjusted) granted pursuant to the Pre-[REDACTED] Share Incentive Scheme and 2,890,000 Shares.
- (3) Being options for 80,000 Shares (as adjusted) granted pursuant to the Pre-[REDACTED] Share Incentive Scheme.
- (4) These Shares are held by Sky Green Enterprises Limited, a company wholly owned by Mr. Simon Meng, the spouse of Ms. Ju. Ms. Ju is therefore deemed to be interested in the Shares in which Mr. Meng is interested in by virtue of the SFO.
- (5) These Shares are held by Starlite Investment Group LLC and Starlite Investment Group NV LLC, companies controlled by Mr. Chu. Mr. Chu is therefore deemed to be interested in the Shares in which these companies are interested in by virtue of the SFO.

(b) Interests of the substantial Shareholders in the Shares

Save as disclosed in the section headed “Substantial Shareholders,” immediately following the completion of the Capitalization Issue and the [REDACTED] and without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] and the exercise of options which were granted under the Pre-[REDACTED] Share Incentive Scheme or may be granted under the Post-[REDACTED] Share Option Scheme, our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

(c) Interests of the substantial shareholders of other members of our Group

So far as our Directors are aware, as of the Latest Practicable Date, the following persons (excluding us and not being a Director or chief executive of our Company) are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Name of member of the Group	Capacity/nature of interest	Approximate percentage of shareholding
JAC	Octillion JV	Beneficial owner	50%

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

2. Particulars of Directors’ Service Contracts and Letters of Appointment

Each of our executive Directors has entered into a service contract with us for an initial term of three years commencing from the [REDACTED], which may be terminated by not less than three months’ notice in writing served by either the executive Director or our Company.

Each of our non-executive Directors has entered into a letter of appointment with us for an initial term of three years commencing from the [REDACTED], which may be terminated by not less than three months’ notice in writing served by either the non-executive Director or our Company.

Each of our independent non-executive Directors has entered into a letter of appointment with us for an initial term of three years commencing from the [REDACTED], which may be terminated by not less than three months’ notice in writing served by either the independent non-executive Director or our Company.

Save as disclosed above, none of the Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors

The aggregate amount of remuneration which was paid to our Directors for the three years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024 were approximately RMB9.4 million, RMB5.0 million, RMB36.2 million and RMB22.8 million, respectively.

It is estimated that the total remuneration and benefits in kind equivalent to approximately RMB58.8 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2024 under arrangements in force at the date of this document.

The aggregate amount of remuneration which were paid by the Group to our five highest paid individual (including both employees and Directors) for the three years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024 were approximately RMB16.54 million, RMB11.21 million, RMB44.6 million and RMB24.5 million, respectively.

No remuneration was paid to our Directors as an inducement to join, or upon joining, the Group. No compensation was paid to, or receivable by, our Directors, past Directors or the Track Record Period for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. None of our Directors has waived or agreed to waive any emoluments during the same period.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

4. Disclaimers

Save as disclosed in “— C. Further Information about Directors and Substantial Shareholders — 1. Disclosure of Interests” in this appendix above and the sections headed “Directors and Senior Management” and “Substantial Shareholders” in this document:

- (a) none of our Directors or our chief executive has any interest or short position in the Shares, underlying Shares or debentures of us or any of our associated corporations (within the meaning of Part XV the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are [REDACTED];
- (b) none of our Directors is aware of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the Capitalization Issue and the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and the exercise of options which were granted under the Pre-[REDACTED] Share Incentive Scheme or may be granted under the Post-[REDACTED] Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group; and
- (c) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who own more than 5% of the number of issued shares of the Company have any interests in the five largest customers or the five largest suppliers of the Group.

D. SHARE INCENTIVE SCHEMES

1. Pre-[REDACTED] Share Incentive Scheme

The following is a summary of the Pre-[REDACTED] Share Incentive Scheme adopted by the Board on November 6, 2009 and amended and restated on June 21, 2023.

(a) Purpose

The purpose of the Pre-[REDACTED] Share Incentive Scheme is to attract and retain personnel and to provide additional incentives to selected employees of the Group (including officers and directors employed by the Group) (the “**Employees**”), and individuals engaged by the Group to render consulting or advisory services to the Group (the “**Consultants**,” together with the Employees, the “**Eligible Participants**”). The

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Pre-[REDACTED] Share Incentive Scheme permits the grant of incentive stock options (the “**Incentive Stock Options**”) (i.e. options to purchase Shares granted pursuant to the Pre-[REDACTED] Share Incentive Scheme (the “**Options**”) within the meaning of section 422 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), non-statutory stock options (the “**Non-statutory Stock Options**”) (i.e. Options that do not qualify as an Incentive Stock Option), or share purchase rights (the “**Share Purchase Rights**”), or restricted share units (“**RSU**,” together with the Incentive Stock Options, the Non-statutory Stock Options and the Share Purchase Rights, the “**Awards**”) as the Board (including any committee of or delegate appointed by the Board) (the “**Administrator**”) may determine.

(b) Eligibility

Only Service Providers that are not U.S. Persons (as defined in Rule 902(k) of the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or trusts established in connection with any employee benefit plan of our Company for the benefit of a Service Provider, shall be eligible for the grant of Options or Share Purchase Rights that are not intended to qualify under Rule 701 promulgated under the Securities Act. Non-statutory Stock Options and Share Purchase Rights that are intended to qualify under Rule 701 promulgated under the Securities Act may be granted to Service Providers only. Incentive Stock Options may be granted to Employees only. Any Awards granted to Consultants that are intended to comply with and qualify under Rule 701 promulgated under the Securities Act may only be granted to natural persons who meet the requirements set forth under Rule 701(c)(1)(ii) and (iii) of the Securities Act.

A Service Provider who owns more than 10% of the total combined voting power of all classes of outstanding securities of our Group shall not be eligible for the grant of an Incentive Stock Option subject to certain exceptions.

For the purpose of the section headed “— D. Share Incentive Schemes” of this appendix, a “**Grantee**” shall mean the holder of any outstanding Awards.

(c) Maximum number of Shares in respect of which Awards may be granted

The maximum number of Shares that may be subject to Awards and granted under the Pre-[REDACTED] Share Incentive Scheme is 9,000,227, representing approximately 23.27% of our total issued share capital immediately prior to the completion of the Capitalization Issue and the [REDACTED]. The Shares may be authorized but unissued, or reacquired Shares. The number of Shares that are subject to Awards outstanding under the Pre-[REDACTED] Incentive Share Scheme at any time shall not exceed the aggregate number of Shares that then remain available for issuance under the Pre-[REDACTED] Share Incentive Scheme.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(d) Term of the Pre-[REDACTED] Share Incentive Scheme

The Pre-[REDACTED] Share Incentive Scheme is subject to a term of ten years from the later of (a) the effective date of the Pre-[REDACTED] Share Incentive Scheme (i.e. June 21, 2023 (amended and restated)) or (b) the earlier of the most recent Board or Shareholders' approval of an increase in the number of Shares reserved for issuance under the Pre-[REDACTED] Share Incentive Scheme (i.e. June 21, 2023).

(e) Terms and Conditions of Options

(i) Option Award Agreement

Each grant of an Option shall be evidenced by an award agreement (the "**Option Award Agreement**") between the Grantee and our Company. The Option Award Agreement shall contain, among others, the number of Shares that are subject to the Option, the Exercise Price (if any, as defined in (iv) below), the date when all or any installment of the Option is to become exercisable, any restrictions on transfer of Shares, terms and conditions of the Pre-[REDACTED] Share Incentive Scheme and any other terms that the Administrator deems appropriate.

(ii) Date of Grant

The date that an Award is granted to a Grantee (the "**Date of Grant**") shall be the date on which the Administrator makes the determination to grant the Award, or such other later date as is determined by the Administrator. With respect to the Date of Grant of an Incentive Stock Option, it shall be no earlier than the date on which the individual becomes an Employee.

(iii) Type of Option

Each Option shall be designated in the Option Award Agreement as either an Incentive Stock Option or a Non-statutory Stock Option. However, notwithstanding a designation of an Option as an Incentive Stock Option, to the extent that the aggregate fair market value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by a Grantee during any calendar year exceeds US\$100,000, such Options shall be treated as Non-statutory Stock Options.

(iv) Exercise Price

Each Option Award Agreement shall specify the amount, if any, for which one ordinary share may be purchased upon exercise of an Option (the "**Exercise Price**"). The Exercise Price of an Incentive Stock Option shall not be less than 100% of the fair market value per Share on the Date of Grant. The Exercise Price of a Non-statutory Stock Option granted to a U.S. Person shall not be less than 100% of

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

the fair market value per Share on the Date of Grant. Subject to the above requirements, the Exercise Price of any Option shall be determined by the Administrator in its sole discretion.

(v) Term of Option

The Administrator in its sole discretion shall determine when an option is to expire, provided that the term of an option shall not exceed 10 years from the Date of Grant.

(vi) Restrictions on Transfer of Shares

Shares issued upon exercise of an Option shall be subject to such forfeiture conditions, rights of repurchase or redemption, rights of first refusal, and other transfer restrictions as the Administrator may determine.

(f) Exercisability of Options

(i) Exercise of Options

Any Option granted shall be exercisable under such conditions as may be determined by the Administrator and as set forth in the Option Award Agreement, provided that an Option shall not be exercised for a fraction of a Share. An Option shall be deemed exercised when the Company receives (x) notice of exercise, (y) full payment for the Shares with respect to which the Option is exercised and (z) all representations, indemnifications, and documents requested by the Administrator. Exercise of an Option in any manner shall result in a decrease in the number of Shares thereafter available, both for purposes of the Pre-[REDACTED] Share Incentive Scheme and for sale under the Option, by the number of Shares as to which the Option is exercised.

(ii) Termination of relationship as an Eligible Participant

If a Grantee ceases to be an Eligible Participant, other than upon the Participant's termination as the result of the Grantee's death or Disability (as defined in Section 22(e)(3) of the Code), the Grantee may exercise his or her Option within thirty days of termination, or such longer period of time as is specified in the Option Award Agreement to the extent that the Option is vested on the date of termination.

(iii) Disability of Grantee

If a Participant ceases to be an Eligible Participant as a result of the Participant's Disability, the Participant may exercise his or her Option within six months of termination, or such longer period of time as is specified in the Award Agreement to the extent the Option is vested on the date of termination.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(iv) Death of Grantee

If a Grantee dies while being an Eligible Participant, the Option may be exercised within six months following the Grantee’s death, or within such longer period of time as is specified in the Option Award Agreement to the extent that the Option is vested on the date of death, by the Participant’s designated beneficiary, provided such beneficiary has been designated prior to the Participant’s death in a form acceptable to the Administrator.

(g) Terms and Conditions of Share Purchase Rights

(i) Share Purchase Right Award Agreement

Each Share Purchase Right under the Pre-[REDACTED] Share Incentive Scheme shall be evidenced by an award agreement (the “**Share Purchase Right Award Agreement**”) between the Participant and the Company. The Share Purchase Right Award Agreement shall contain, among others, restriction on transfer of Shares, the Purchase Price (as defined below), terms and conditions of the Pre-[REDACTED] Share Incentive Scheme and any other terms that the Administrator deems appropriate.

(ii) Type of Share Purchase Right

Each Share Purchase Right may be designated as a “**Reg S Share Purchase Right**” (i.e. a Share Purchase Right granted to a Service Provider who is not a U.S. Person and is not intended to qualify under Rule 701 promulgated under the Securities Act), or a Share Purchase Right other than a Reg S Share Purchase Right. If the Share Purchase Right Award Agreement does not specify the type of Share Purchase Right, such right will not be treated as a Reg S Share Purchase Right.

(iii) Duration of offers and non-transferability of Share Purchase Rights

Any Share Purchase Rights granted under the Pre-[REDACTED] Share Incentive Scheme shall automatically expire if not exercised by the Participant within thirty days (or such longer time as is specified in the Share Purchase Right Award Agreement) after the Date of Grant. Share Purchase Rights shall not be transferable and shall be exercisable only by the Participant to whom the Share Purchase Right was granted.

(iv) Purchase Price

The amount of consideration, if any, for which one Share may be acquired pursuant to a Share Purchase Right (the “**Purchase Price**”) shall be determined by the Administrator in its sole discretion.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(v) *Restrictions on transfer of Shares*

Any Shares awarded or sold pursuant to Share Purchase Rights shall be subject to such forfeiture conditions, rights of repurchase or redemption, rights of first refusal, and other transfer restrictions as the Administrator may determine.

(h) *Terms and Conditions of RSUs*

(i) *Award Agreement*

Each RSU under the Pre-[REDACTED] Share Incentive Scheme shall be evidenced by an award agreement (the "**RSU Award Agreement**") between the Participant and the Company. The RSU Award Agreement shall contain, among others, conditions to the vesting, consideration, payment, terms and conditions of the Pre-[REDACTED] Share Incentive Scheme and any other terms that the Administrator deems appropriate.

(ii) *Consideration*

The amount of consideration, if any, to be paid by the Participant upon delivery of each Share subject to the RSU shall be determined by the Administrator at the time of grant of the RSU. The consideration to be paid (if any) by the Participant for each Share subject to a RSU may be paid in any form of legal consideration that may be acceptable to the Administrator, in its sole discretion, and permissible under applicable law.

(iii) *Vesting*

At the time of the grant of a RSU, the Administrator may impose such restrictions on or conditions to the vesting of the RSU as it, in its sole discretion, deems appropriate.

(iv) *Payment*

RSU may be settled by the delivery of Shares, their cash equivalent, any combination thereof or in any other form of consideration, as determined by the Administrator and contained in the RSU Award Agreement for such RSU.

(v) *Additional Restrictions*

The Administrator, as it deems appropriate, may impose such restrictions or conditions at the time of the grant of a RSU that delay the delivery of the Shares (or their cash equivalent) subject to the RSU to a time after the vesting of such RSU.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(vi) Dividend Equivalents

Dividend equivalents may be credited in respect of Shares covered by a RSU, as determined by the Administrator and contained in the RSU Award Agreement for such RSU. Such dividend equivalents may be converted into additional Shares covered by the RSU in such manner as determined under the sole discretion of the Administrator. Any additional Shares covered by the RSU credited by reason of such dividend equivalents will be subject to all of the same terms and conditions of the underlying RSU Award Agreement to which the RSU relates.

(vii) Termination of Participant's Continuous Service

Except as otherwise provided in the applicable RSU Award Agreement, such portion of the RSU that has not vested will be forfeited upon the Participant's termination of service whether as employees, directors or consultants with the Group or any parent companies of the Company (the "**Parent Company**"). Change to the capacity in which the Participant renders service to the Group or the Parent Company or change in entity of the Group or the Parent Company, provided there is no interruption or termination of the Participant's service to the Group or the Parent Company, shall not forfeit the portion of RSU, except where the entity for which the Participant renders service to ceased to qualify as the Group or the Parent Company.

(viii) Compliance with Section 409A of the Code

Notwithstanding anything to the contrary set forth herein, any RSU granted under the Plan that is not exempt from the requirements of Section 409A of the Code shall contain such provisions so that such RSU will comply with the requirements of Section 409A of the Code. Such restrictions, if any, shall be determined by the Administrator and contained in the RSU Award Agreement evidencing such RSU. For example, such restrictions may include, without limitation, a requirement that any Share that is to be issued in a year following the year in which the RSU vests must be issued in accordance with a fixed pre-determined schedule.

(i) Payment for Shares

(i) Consideration

The consideration to be paid for the Shares to be issued under the Pre-[REDACTED] Share Incentive Scheme, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option, shall be determined on the Date of Grant), subject to the applicable laws. The entire Exercise Price or Purchase Price (as the case may be) for Shares issued under the Pre-[REDACTED] Share Incentive Scheme shall be payable in cash or cash equivalents at the time when the Shares are purchased, subject to certain exceptions.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(ii) Surrender of Shares

To the extent that an Option Award Agreement, a Share Purchase Right Award Agreement or a RSU Award Agreement so provides, all or any part of the Exercise Price, Purchase Price or consideration (as the case may be) may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Participant.

(iii) Promissory Note

At the discretion of the Administrator and to the extent an Option Award Agreement, Share Purchase Right Award Agreement or a RSU Award Agreement so provides, all or a portion of the Exercise Price or Purchase Price or consideration (as the case may be) may be paid with a promissory note in favor of the Company. The Shares shall be pledged as security for payment of the principal amount of the promissory note and interest thereon.

(iv) Sale or Pledge

At the discretion of the Administrator and to the extent an Option Award Agreement so provides, and if the Shares are publicly traded, payment may be made by the delivery of an irrevocable direction to (x) an approved securities broker and to deliver the sales proceeds to the Company in payment of the Exercise Price; or (y) to pledge Shares to an approved securities broker or lender, as security a loan, and to deliver the loan proceeds to the Company in payment of the Exercise Price.

(j) Adjustment of Shares

(i) Adjustments

In the event that any dividend or other distribution, recapitalization, share split, reverse share split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator shall adjust the number and class of Shares that may be delivered under the Pre-[REDACTED] Share Incentive Scheme and/or the number, class, and price of Shares covered by each outstanding Award, provided that the Administrator will make such adjustments to an Award required by applicable laws to the extent the Company is relying upon the exemption afforded thereby with respect to the Award.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(ii) Dissolution or Liquidation

In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

(iii) Merger or Change in Control

In the event of a merger or Change in Control (as defined below), each outstanding Award will be treated as the Administrator determines without a Participant’s consent. A “**Change in Control**” generally means the occurrence of a (x) change in ownership of the Company; (y) change in effective control of the Company or (z) change in ownership of a substantial portion of the Company’s assets.

(k) Termination of the Pre-[REDACTED] Share Incentive Scheme

The Administrator may at any time amend, alter, suspend, or terminate Pre-[REDACTED] Share Incentive Scheme. No amendment, alteration, suspension, or termination of the Pre-[REDACTED] Share Incentive Scheme will impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator.

The Pre-[REDACTED] Share Incentive Scheme will expire on the [REDACTED]. The Administrator may terminate the Pre-[REDACTED] Share Incentive Scheme at any time without Shareholders’ approval by resolving that no additional Awards may be granted under the Pre-[REDACTED] Share Incentive Scheme, but previously granted Awards (and the authority of the Administrator with respect thereto, including the authority to amend such Awards) shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of the Pre-[REDACTED] Share Incentive Scheme.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

(l) Outstanding Grants

The maximum number of shares that may be subject to Awards and granted under the Pre-[REDACTED] Share Incentive Scheme was 9,000,227. As of the Latest Practicable Date, Awards corresponding to 3,482,123 Shares had been exercised; Awards granted by our Company under the Pre-[REDACTED] Share Incentive Scheme to 168 Grantees to subscribe for an aggregate of 5,500,527 Shares or [REDACTED] Adjusted Shares were outstanding; and the number of Shares available for further grant under the Pre-[REDACTED] Share Incentive Scheme (assuming all the Awards granted are fully vested and taken into account the Awards lapsed in accordance with the terms of the Pre-[REDACTED] Share Incentive Scheme) was 17,577 Shares or [REDACTED] Adjusted Shares. Below is a list of Awards granted to the grantees who are Directors, members of senior management and consultants of our Company or other grantees who have been granted Options to subscribe 100,000 Shares or more or [REDACTED] Adjusted Shares or more under the Pre-[REDACTED] Share Incentive Scheme which are outstanding:

Name of grantee	Position held with our Group	Address	Total number of Shares underlying the outstanding Awards granted to the respective grantee (before adjustment for the Capitalization Issue)	Total number of Shares underlying the outstanding Awards granted to the respective grantee (as adjusted for the Capitalization Issue)	Date(s) of Grant	Approximate percentage of equity interest in the Company underlying the outstanding Awards after completion of the [REDACTED] ⁽¹⁾
<i>Directors</i>						
Dr. Zhou	Executive Director; Chairman; Chief Executive Officer	8620 Terrace Dr El Cerrito, CA 94530, U.S.	1,824,263 ⁽²⁾	[REDACTED]	June 29, 2019 and June 21, 2023	[REDACTED]
Yang Wang	Executive Director; Co-president	3307 Country Air Lane Apartment 202 Las Vegas, NV 89117-517, U.S.	809,200	[REDACTED]	October 30, 2018 and June 21, 2023	[REDACTED]
Chengwei Xiao	Independent non-executive Director	Building 7, Junxi Huating, Hexi District, Tianjin, PRC	8,000	[REDACTED]	October 30, 2018	[REDACTED]

APPENDIX IV STATUTORY AND GENERAL INFORMATION

Name of grantee	Position held with our Group	Address	Total number of Shares underlying the outstanding Awards granted to the respective grantee (before adjustment for the Capitalization Issue)	Total number of Shares underlying the outstanding Awards granted to the respective grantee (as adjusted for the Capitalization Issue)	Date(s) of Grant	Approximate percentage of equity interest in the Company underlying the outstanding Awards after completion of the [REDACTED] ⁽¹⁾
<i>Senior Management</i>						
Paul Maynard Beach III	Co-president	1810 Dakota Ridge Trl, Reno, CA. 89523, U.S.	320,000	[REDACTED]	March 15, 2016, October 13, 2016 and October 30, 2018	[REDACTED]
Ieng Kit Leung	Chief Financial Officer	No. 11, Yunjianlvdadi, 418 Jinxiu East Road, Pudong New Area, Shanghai, PRC	64,000	[REDACTED]	October 30, 2018	[REDACTED]
Li Lao	Chief Technology Officer	Room 304, No. 340 Xicha Road, Baiyun District, Guangzhou, Guangdong, PRC	187,800	[REDACTED]	October 30, 2018 and June 21, 2023	[REDACTED]
<i>Consultants</i>						
Brendan Lee	Consultant	17 Lodge Street, Toowong, QLD 4066 Australia	14,400	[REDACTED]	October 13, 2016	[REDACTED]
Yiyan Li	Consultant	Room 101, No. 8, Lane 2269, Guangfu West Road, Putuo District, Shanghai, China	28,000	[REDACTED]	October 30, 2018 and June 29, 2019	[REDACTED]

APPENDIX IV STATUTORY AND GENERAL INFORMATION

Name of grantee	Position held with our Group	Address	Total number of Shares underlying the outstanding Awards granted to the respective grantee (before adjustment for the Capitalization Issue)	Total number of Shares underlying the outstanding Awards granted to the respective grantee (as adjusted for the Capitalization Issue)	Date(s) of Grant	Approximate percentage of equity interest in the Company underlying the outstanding Awards after completion of the [REDACTED] ⁽¹⁾
Stephan McRae	Consultant	50 Soudan Street, Bardon, QLD Australia	36,000	[REDACTED]	October 13, 2016	[REDACTED]
Deying Sun	Consultant	Room 702, Unit 1, Building 9, No. 24 Nanfeng Road, Sifang District, Qingdao, Shandong, PRC	81,250	[REDACTED]	October 30, 2018 and June 29, 2019	[REDACTED]
Yi Zhang	Consultant	Floor 2, Site B, Haiwai Zhuangshi Building, Huafu Road, Futian District, Shenzhen, Guangdong, PRC	12,650	[REDACTED]	October 13, 2016, October 30, 2018 and June 29, 2019	[REDACTED]
Tianyue Zhu	Consultant	No. 16, Building 540, Huagongbei Village, Xuanwu District, Nanjing, PRC	5,000	[REDACTED]	June 29, 2019	[REDACTED]

APPENDIX IV STATUTORY AND GENERAL INFORMATION

Name of grantee	Position held with our Group	Address	Total number	Total number	Date(s) of Grant	Approximate percentage of equity interest in the Company underlying the outstanding Awards after completion of the [REDACTED] ⁽¹⁾
			of Shares underlying the outstanding Awards granted to the respective grantee (before adjustment for the Capitalization Issue)	of Shares underlying the outstanding Awards granted to the respective grantee (as adjusted for the Capitalization Issue)		
<i>Other grantees</i>						
Youliang Hu	Head of Product line	No. 1 Yanan Road, Dapeng New District, Shenzhen, Guangdong Province, PRC	161,200	[REDACTED]	October 30, 2018, June 29, 2019 and June 21, 2023	[REDACTED]
Junfeng Ma	Executive vice president	Room 106, Block 1, No. 115 North Fourth Ring East Road, Chaoyang District, Beijing, PRC	178,200	[REDACTED]	October 30, 2018, June 29, 2019 and June 21, 2023	[REDACTED]
Total			3,729,963	[REDACTED]		[REDACTED]

Notes:

1. Assuming that the [REDACTED] is not exercised and no Shares are issued pursuant to the Share Incentive Schemes.
2. The total number of Shares underlying the outstanding Awards granted to Dr. Zhou includes 1,401,057 Shares underlying the outstanding Options and 423,206 Shares underlying the outstanding RSUs.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

Below is a summary of Awards granted to the remaining grantees under the Pre-[REDACTED] Share Incentive Scheme which are outstanding:

Category by number of underlying Shares	Number of grantees	Date of grant	Exercise price per Share (as adjusted for the Capitalization Issue)	Number of Shares under Awards granted (before adjustment for the Capitalization Issue)	Number of Awards granted (as adjusted for the Capitalization Issue)	Approximate percentage of equity interest in the Company underlying the outstanding Awards after completion of the [REDACTED]
50,001 – 100,000	7	October 13, 2016 to October 30, 2018	US\$0.103 to US\$0.30	489,400	[REDACTED]	[REDACTED]
10,001 – 50,000	36	October 13, 2016 to June 21, 2023	US\$0.103 to US \$0.932	859,645	[REDACTED]	[REDACTED]
1 – 10,000	111	October 30, 2018 to June 21, 2023	US\$0.30 to US\$0.932	421,519	[REDACTED]	[REDACTED]
Total	154			1,770,564	[REDACTED]	[REDACTED]

The Exercise Price for the Awards (as adjusted for the Capitalization Issue) granted under the Pre-[REDACTED] Share Incentive Scheme is as follows:

- (i) US\$0.103 per Share for Awards granted on March 15, 2016;
- (ii) US\$0.103 per Share for Awards granted on October 13, 2016;
- (iii) US\$0.30 per Share for Awards granted on October 30, 2018;
- (iv) US\$0.30 per Share for Awards granted on June 29, 2019; and
- (v) US\$0.932 per Share for Awards granted on June 21, 2023.

The vesting schedule for the Options granted on March 15, 2016 and October 30, 2018 is 25% to be vested from the first anniversary of the Date of Grant and 2% to be vested monthly thereafter; and the vesting schedule for the Options granted on all other Dates of Grant is 50% to be vested from the second anniversary of the Date of Grant and 2% to be vested monthly thereafter.

The vesting schedule for the RSUs granted on June 21, 2023 is 25% to be vested on the later of the first anniversary from the Date of Grant and the [REDACTED] for the sale of shares to the [REDACTED] on an [REDACTED] and 25% to be vested annually thereafter.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

[Application has been made to the Listing Committee for the [REDACTED] of and permission to [REDACTED] the 5,500,527 Shares or [REDACTED] Adjusted Shares that may be allotted and issued pursuant to the exercise of the Awards.]

(m) Effect on Earnings per Share as a Result of the Pre-[REDACTED] Share Incentive Scheme

Assuming the full exercise of the Awards granted which are outstanding under the Pre-[REDACTED] Share Incentive Scheme, the dilution effect on the shareholding of the Shareholders and earnings per Share immediately after the completion of the Capitalization Issue and the [REDACTED] (assuming that the [REDACTED] is not exercised) would be approximately 10.3%.

2. Post-[REDACTED] Share Option Scheme

The following is a summary of the principal terms of the Post-[REDACTED] Share Option Scheme conditionally adopted by the resolutions in writing of all our Shareholders passed on [●]. The Post-[REDACTED] Share Option Scheme is funded by new Shares (including treasury shares). References to new Shares include treasury shares, and references to the issue of Shares include the transfer of treasury shares.

(a) Purpose

The purpose of the Post-[REDACTED] Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors consider the Post-[REDACTED] Share Option Scheme, with its broadened basis of participation, will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. Given that our Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased [REDACTED] of the Shares in order to capitalize on the benefits of the options granted.

(b) Who may join

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorized committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who our Board considers, in its sole discretion, have contributed or will contribute to our Group, to take up options to subscribe for Shares:

- (i) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of our Group (the "Employee Participants");

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (ii) any directors and employees of the holding companies, fellow subsidiaries or associated companies of our Company;
- (iii) any persons who provide services to our Group on a continuing and recurring basis in our ordinary and usual course of business which are in the interests of the long term growth of the Group, including advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of our Group, but excluding placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions or professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity (the "**Service Provider Participants**").

For the purposes of the Post-[REDACTED] Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of these classes of participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Post-[REDACTED] Share Option Scheme.

The eligibility of any of these class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group.

(c) Maximum number of Shares

- (i) The total number of Shares which may be issued in respect of all options and awards to be granted under the Post-[REDACTED] Share Option Scheme and any other share scheme of our Group shall not in aggregate exceed 10% of the Shares in issue (excluding treasury shares) on the day on which [REDACTED] of the Shares commence on the Stock Exchange, such 10% limit represents [REDACTED] Shares (the "**General Scheme Limit**"), but excluding any Shares which may be issued upon the exercise of the [REDACTED]. The total number of Shares that may be issued in respect of all options and awards to be granted to the Service Provider Participants within the General Scheme Limit shall not exceed 1% of the Shares in issue (excluding treasury shares) on the day on which [REDACTED] of the Shares commence on the Stock Exchange, such 1% sublimit represents approximately [REDACTED] Shares (the "**Service Provider Sublimit**").

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (ii) Subject to paragraph (iii) below, our Company may seek approval by its Shareholders in a general meeting for "refreshing" the General Scheme Limit and the Service Provider Sublimit after three years from the date of Shareholders' approval for the last refreshment or the adoption of the Post-[REDACTED] Share Option Scheme. Any refreshment within any three year period must be approved by the Shareholders subject to:
- (1) any controlling Shareholders and their associates (or if there is no controlling Shareholder, Directors (excluding independent non-executive Directors) and the chief executive of our Company and their respective associates) must abstain from voting in favor of the relevant resolution at the general meeting; and
 - (2) our Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules, provided that the total number of Shares which may be issued in respect of all options and awards to be granted under all of the schemes of our Company under the scheme mandate as "refreshed" must not exceed 10% of the relevant class of shares in issue (excluding treasury shares) as of the date of approval of the refreshed scheme mandate.

The requirements under paragraphs (1) and (2) above do not apply if the refreshment is made immediately after an issue of securities by our Company to the Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the scheme mandate (as a percentage of the relevant class of shares in issue) upon refreshment is the same as the unused part of the scheme mandate immediately before the issue of securities, rounded to the nearest whole share.

- (iii) The total number of Shares which may be issued in respect of all options and awards to be granted under all of the share scheme of our Company under the General Scheme Limit as "refreshed" must not exceed 10% of the relevant class of Shares in issue (excluding treasury shares) as of the date of approval of the refreshed scheme mandate. Our Company must send a circular to the Shareholders containing the number of options and awards that were already granted under the existing General Scheme Limit and the existing Service Provider Sublimit, and the reason for the "refreshment."
- (iv) Our Company may seek separate approval by the Shareholders in general meeting for granting options or awards beyond the General Scheme Limit provided the options or awards in excess of the limit are granted only to participants specifically identified by our Company before such approval is sought. Our Company must send a circular to the Shareholders containing the name of each specified participant who may be granted such options or awards,

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

the number and terms of the options or awards to be granted to each participant, and the purpose of granting options or awards to the specified participants with an explanation as to how the terms of the options or awards serve such purpose. The number and terms of options or awards to be granted to such participant must be fixed before Shareholders' approval. In respect of any options to be granted, the date of the board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the exercise price under Rule 17.03E of the Listing Rules.

(d) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued in respect of all options and awards granted under the Post-[REDACTED] Share Option Scheme and any other share schemes of our Company to each participant (excluding any options and awards lapsed in accordance with the terms) in any 12-month period shall not exceed 1% of the issued share capital of our Company (excluding treasury shares) for the time being (the "**Individual Limit**"). Any further grant of options under the Post-[REDACTED] Share Option Scheme in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of our Company with such participant and his/her close associates (or his/her associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Rule 17.03E of the Listing Rules.

(e) Grant of options to connected persons

- (i) Any grant of options under the Post-[REDACTED] Share Option Scheme to a Director, chief executive or substantial Shareholder of our Company or any of their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).
- (ii) Where any grant of options under the Post-[REDACTED] Share Option Scheme to an independent non-executive Director or a substantial Shareholder of our Company, or any of their respective associates would result in the Shares issued and to be issued in respect of all options and awards already granted (excluding any options and awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of Shares in issue (excluding treasury shares), such further grant of options must be approved by our Shareholders in a general meeting in the manner set out in Rule 17.04(4) of the Listing Rules. Our Company must send a circular to its

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Shareholders. The grantee, his/her associates and all core connected persons of our Company must abstain from voting in favor at such general meeting. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll. Our Company must comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules.

(f) Time of acceptance and exercise of option

An option may be accepted by a participant within 5 business days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Post-[REDACTED] Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Post-[REDACTED] Share Option Scheme. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Post-[REDACTED] Share Option Scheme for the holding of an option before it can be exercised.

(g) Vesting period and performance targets

The vesting period for options shall not be less than twelve (12) months. Options granted to Employee Participants may be subject to a shorter vesting period at the Board's sole and absolute discretion under the following circumstances:

- (i) grants of "make-whole" options to new joiners to replace the share awards or share options they forfeited when leaving their previous employers;
- (ii) grants with performance-based vesting conditions as determined by the Board, in lieu of time-based vesting criteria;
- (iii) grants that are made in batches during a year for administrative or compliance requirements, for example, options that should have been granted earlier but had to wait for a subsequent batch and the vesting period may be shortened to reflect the time from which the Options would have been granted;
- (iv) grants with a mixed or accelerated vesting schedule such as where the options may vest evenly over a period of 12 months, or where the options may vest by several batches with the first batch to vest within 12 months of the grant date and the last batch to vest 12 months after the grant date;
- (v) grants with a total vesting and holding period of more than 12 months; or

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (vi) any form of grants (including re-grants and replacement grants) to Employee Participants and any form of transfer of outstanding equity incentive awards from other equity incentive schemes of the Company, to replace their equity incentive awards granted by the Company (the “**Existing Awards**”), following which the Existing Awards will be lapsed and/or transferred to the Post-[REDACTED] Share Option Scheme (as the case may be). Following the issuance of replacement grants, the vesting of the replacement grants will generally follow the original vesting schedule, and there is a possibility that the time gap between the date of issuance of replacement grants and the first vesting date of the replacement grants will be less than 12 months. In any event, the original share options would be granted with a mixed vesting schedule, where the options would vest by several batches. While the first batch may vest within 12 months of the grant date or after the expiry of 12 months after the grant date, the last batch shall vest no earlier than the expiry of 12 months after the grant date.

Unless our Directors otherwise determine and state in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Post-[REDACTED] Share Option Scheme can be exercised.

(h) Subscription price for Shares and consideration for the option

The subscription price per Share under the Post-[REDACTED] Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the [REDACTED] of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the [REDACTED] shall be used as the closing price for any business day falling within the period before [REDACTED]); and (iii) the nominal value of a Share on the date of grant.

A nominal consideration of HK\$1.00 is payable upon acceptance of the grant of an option.

(i) Ranking of Shares

- (i) Shares allotted and issued upon the exercise of an option will be identical to the then existing issued shares of our Company and subject to all the provisions of the Memorandum of Association and Articles of Association and will rank pari passu in all respects with the fully paid Shares in issue on the date the name of the grantee is registered on the register of members of our Company

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (“**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an option shall not carry voting rights or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company) declared or recommended or resolved to be paid to the Shareholders on the register until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.

- (ii) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(j) Restrictions on the time of grant of options

No offer for grant of options shall be made after inside information has come to our Company’s knowledge until it has announced the information in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of the meeting of our Directors (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company’s results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules); and (b) the last date on which our Company must publish its announcement of its results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no offer for grant of options may be made.

Our Directors may not grant any option to a participant who is a Director during the period or time in which Directors are prohibited from [REDACTED] in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(k) Period of the Post-[REDACTED] Share Option Scheme

The Post-[REDACTED] Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Post-[REDACTED] Share Option Scheme is adopted.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(l) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his/her personal representative(s) on the terms of this Post-[REDACTED] Share Option Scheme.

(m) Rights on ceasing employment

If the grantee of an option is an eligible Employee Participant and ceases to be an eligible Employee Participant for any reason other than death, or for serious misconduct or other grounds referred to in sub-paragraph (o) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was physically at work with our Group whether salary is paid in lieu of notice or not.

(n) Rights on death

If the grantee of an option is an eligible Employee Participant and ceases to be an eligible Employee Participant by reason of his death, before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of death of the grantee.

(o) Rights on dismissal

If the grantee of an option is an eligible Employee Participant and ceases to be an eligible Employee Participant by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offense (other than an offense which in the opinion of our Directors does not bring the grantee or our Group into disrepute) or on any other ground on which an employer would be entitled to terminate his or her employment summarily, his option will lapse automatically and will not be exercisable on or after the date of ceasing to be an eligible Employee Participant.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(p) Rights on a general offer, a compromise or arrangement

If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement) is made to our Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, the Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, at any time within such period as shall be notified by our Company.

If a general offer for Shares by way of scheme of arrangement is made to our Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith give notice thereof to the grantee and the grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company.

(q) Rights on winding up

In the event a notice is given by our Company to our Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee (or in the case of the death of the grantee, his personal representatives(s)) may at any time within such period as shall be notified by our Company, subject to the provisions of all applicable laws, exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed general meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option.

(r) Adjustments to the subscription price

In the event of a capitalization issue, rights issue, subdivision or consolidation of Shares or reduction of capital of our Company whilst an option remains exercisable, such corresponding adjustment (if any) certified by the auditors for the time being or an independent financial advisor to our Company as fair and reasonable will be made to (a) the number or nominal amount of Shares to which the Post-[REDACTED] Share Option Scheme or any option relates, so far as unexercised, and/or (b) the subscription price of the option concerned, and/or (c) the method of exercise of the Option, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (ii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (iii) no adjustment shall be made the effect of which would be

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any adjustment made on a capitalization issue, such auditors or independent financial advisor must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, but not limited to, the "Supplementary Guidance on Main Board Listing Rule 17.03(13) and the Note immediately after the Rule" attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes).

(s) Cancellation of options

Any options granted but not exercised may be canceled if the grantee so agrees. Issuance of new options to the same grantee may only be made if there are unissued options available under the Post-[REDACTED] Share Option Scheme (excluding the canceled options) and in compliance with the terms of the Post-[REDACTED] Share Option Scheme.

(t) Termination of the Post-[REDACTED] Share Option Scheme

Our Company may by ordinary resolution in a general meeting at any time resolve to terminate the Post-[REDACTED] Share Option Scheme prior to the expiry of the Post-[REDACTED] Share Option Scheme and in such event no further options shall be offered or granted but in all other respects the provisions of the Post-[REDACTED] Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Post-[REDACTED] Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Post-[REDACTED] Share Option Scheme.

(u) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the period referred to in sub-paragraph (k);
- (ii) the expiry of the periods or dates referred to in sub-paragraphs (m), (n), (o), (p) and (q);

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (iii) the date on which the grantee commits a breach of the provision which restricts the grantee to transfer or assign an option granted under the Post-[REDACTED] Share Option Scheme or sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option except for the transmission of an Option on the death of the Grantee to his personal representative(s) on the terms of this Scheme;
 - (iv) the date on which the grantee (being an employee or a director of any member of our Group) ceases to be a participant of the Post-[REDACTED] Share Option Scheme by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offense involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily;
 - (v) the date on which the grantee joins a company which the board believes in its sole and reasonable opinion to be a competitor of our Company;
 - (vi) the date on which the grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally; and
 - (vii) unless our Board otherwise determines, and other than in the circumstances referred to in sub-paragraphs (m) or (n), the date the Grantee ceases to be a Participant (as determined by a Board resolution) for any other reason.
- (v) *Others*
- (i) The Post-[REDACTED] Share Option Scheme is conditional on the Listing Committee granting or agreeing to grant approval of (subject to such condition as the Stock Exchange may impose) the [REDACTED] of and permission to [REDACTED] such number of Shares to be issued pursuant to the exercise of any options which may be granted under the Post-[REDACTED] Share Option Scheme, such number representing the General Scheme Limit. Application has been made to the Listing Committee for the [REDACTED] of and permission to [REDACTED] the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Post-[REDACTED] Share Option Scheme.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (ii) The terms and conditions of the Post-[REDACTED] Share Option Scheme relating to the matters set forth in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of our Shareholders in a general meeting.
- (iii) Any alterations to the terms and conditions of the Post-[REDACTED] Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in a general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Post-[REDACTED] Share Option Scheme.
- (iv) The amended terms of the Post-[REDACTED] Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (v) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Post-[REDACTED] Share Option Scheme shall be approved by our Shareholders in a general meeting.

(w) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Post-[REDACTED] Share Option Scheme as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of a certain option pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options granted as of the Latest Practicable Date would be based on a number of speculative assumptions that are not meaningful and would be misleading to investors.

(x) Grant of options

As of the date of this document, no options have been granted or agreed to be granted under the Post-[REDACTED] Share Option Scheme.

[Application has been made to the Listing Committee for the [REDACTED] of, and permission to [REDACTED], the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Post-[REDACTED] Share Option Scheme.]

(y) Clawback mechanism

Our Company has not established a clawback mechanism to recover or withhold the remuneration (which may include any options granted) to any participants in the event of serious misconduct, a material misstatement in our Company's financial statements or other circumstances.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall upon our Company or any of our subsidiaries.

2. Litigation

Except as disclosed in this document, as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our Group's results of operations or financial condition, taken as a whole.

3. Preliminary expenses

Our Company have not incurred any material preliminary expense.

4. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter in connection with the [REDACTED] and the related transactions described in this document.

5. Application for [REDACTED]

[The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the [REDACTED], and permission to [REDACTED], the Shares in issue and to be issued as mentioned in this document. All necessary arrangements have been made to enable the securities to be admitted into [REDACTED].]

6. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since December 31, 2023 (being the date to which the latest audited financial statements of our Group were made up) up to the date of this document.

7. Agency Fees and [REDACTED] Received

The [REDACTED] will receive an [REDACTED] as referred to in the section [REDACTED] in this document.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

8. Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinion and/or advice in this document are as follows:

Name	Qualifications
HSBC Corporate Finance (Hong Kong) Limited	Licensed corporation under the SFO for Type 6 (advising on corporate finance) regulated activity as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	Licensed corporation under the SFO for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activity as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Chapter 50 of the laws of Hong Kong) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Merits & Tree Law Offices	Legal advisor to our Company as to PRC laws
Maples and Calder (Hong Kong) LLP	Legal advisor to our Company as to Cayman Islands laws
Obhan & Associates	Legal advisor to our Company as to India laws

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. Consents

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

10. Joint Sponsors

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate of approximately RMB[REDACTED] for acting as sponsors for the [REDACTED].

11. Binding Effect

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Taxation of Holders of Our Shares

(a) *Hong Kong*

[REDACTED] in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty. The stamp duty is currently set at a total rate of 0.2% of the greater of the consideration for, or the value of, shares transferred, with 0.1% payable by each of the buyer and the seller. Profits from [REDACTED] in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Dividends paid on Shares will not be subject to tax in Hong Kong and no tax is imposed in Hong Kong in respect of capital gains. However, profits from [REDACTED] in the Shares derived by persons carrying on a business of [REDACTED] or [REDACTED] in securities in Hong Kong arising in or derived from Hong Kong may be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

(b) *Cayman Islands*

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(c) Consultation with professional advisors

Potential investors in the [REDACTED] are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and [REDACTED] in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors or any other person or party involved in the [REDACTED] accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, [REDACTED] in or the exercise of any rights in relation to our Shares.

13. Miscellaneous

Save as otherwise disclosed in this document:

- (i) none of our Directors or experts referred to in the section headed “— E. Other Information — 8. Qualifications of Experts” of this appendix has any direct or indirect interest in the promotion of us, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (ii) none of the Directors or experts referred to in the section headed “— E. Other Information — 8. Qualifications of Experts” of this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (iii) save for the [REDACTED], none of the experts referred to under the section headed “— E. Other Information — 8. Qualifications of Experts” of this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (iv) within the two years preceding the date of this document, no share or loan capital of the Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (v) within the two years preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group;
- (vi) within the two years preceding the date of this document, no commission has been paid or is payable (except commissions to sub-[REDACTED]) for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in the Company;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (vii) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;
- (viii) our Company has no outstanding convertible debt securities or debentures;
- (ix) no capital of the Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (x) there is no arrangement under which future dividends are waived or agreed to be waived;
- (xi) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document; and
- (xii) no member of our Group is presently listed on any stock exchange or traded on any trading system, and no listing or permission to deal is being or proposed to be sought.

14. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX V

**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE ON DISPLAY**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of each of the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about the Business of our Company — 1. Summary of Material Contracts” in Appendix IV to this document; and (ii) the written consents issued by each of the experts and referred to in the section headed “Statutory and General Information — E. Other information — 8. Qualifications of Experts” in Appendix IV to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at <http://www.octillion.cn> up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum of Association and Articles of Association;
- (b) the Accountant’s Report of our Group for the three years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024 issued by PricewaterhouseCoopers, the text of which is set forth in Appendix I to this document;
- (c) the audited consolidated financial statements of the Group for the three years ended December 31, 2021, 2022 and 2023 and the four months ended April 30, 2024;
- (d) the report issued by PricewaterhouseCoopers on the unaudited [REDACTED] financial information of our Group, the text of which is set out in Appendix II to this document;
- (e) the PRC legal opinions issued by Merits & Tree Law Offices, our legal advisors on PRC laws, in respect of our general matters and property interests in the PRC;
- (f) the letter issued by Maples and Calder (Hong Kong) LLP, our legal advisors on Cayman Islands laws, summarizing certain aspects of Cayman Islands company law referred to in the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this document;
- (g) the letter issued by Obhan & Associates, our legal advisors on India laws, in respect of certain aspects of the India laws;
- (h) the Companies Act;

APPENDIX V

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

- (i) the material contracts referred to in the section headed “Statutory and General Information — B. Further Information about the Business of our Company — 1. Summary of Material Contracts” in Appendix IV to this document;
- (j) the service agreements and letters of appointment referred to in “Statutory and General Information — C Further Information about Directors and Substantial Shareholders — 2. Particulars of Directors’ Service Contracts and Letters of Appointment” in Appendix IV to this document;
- (k) the written consents referred to in the section headed “Statutory and General Information — E. Other Information — 9. Consents” in Appendix IV to this document;
- (l) the rules of the Pre-[REDACTED] Share Incentive Scheme; and
- (m) the rules of the Post-[REDACTED] Share Option Scheme.

DOCUMENTS AVAILABLE FOR INSPECTION

A copy of a list of grantees under the Pre-[REDACTED] Share Incentive Scheme, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Morrison & Foerster, at 33/F, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document.