An [REDACTED] in our H Shares involves significant risk. You should carefully consider the following information about risks, together with the other information contained in this document, including our consolidated financial statements and related notes, before you decide to buy our H Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial condition and prospects would likely suffer. In any such case, the [REDACTED] of our H Shares could decline and you may lose all or part of your [REDACTED]. This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We operate in an intensely competitive market and may not compete effectively against existing and new competitors.

The energy storage system industry in which we operate is highly competitive. According to Frost & Sullivan, there were approximately 1,500 lithium-ion battery energy storage system providers in the Chinese Mainland as of December 31, 2024. See "Industry Overview." Certain existing and potential competitors may possess longer operating track records, stronger brand awareness, more established customer relationships, greater financial and operational resources, broader customer reach, more reliable access to raw materials and components and/or more pronounced economies of scale than we do. In particular, some competitors may maintain closer ties with, or establish exclusive arrangements with, key customers in the market. Consequently, such competitors may be able to react more swiftly to shifts in customer preferences or allocate greater resources to the research, marketing and distribution of their offerings in response to evolving customer demand.

At the same time, certain competitors may offer a more diversified range of solutions than we do, which may place them in a more favorable position to weather declines or shifts in demand for specific energy storage system solutions or products. Furthermore, a number of market participants in China, many of whom may have greater capital strength, stronger market presence and/or more advanced technological capabilities than we do, have significantly expanded their energy storage system production capacity in recent years. By leveraging their competitive advantages, these players may benefit from economies of scale and pursue aggressive expansion strategies, enabling them to offer energy storage solutions at prices comparable to, or lower than, ours. As a result, customer demand for our solutions may decrease. If we are unable to compete effectively, our operations, market position and ability to maintain or grow our market share could be adversely affected.

In addition, as we market and deliver our solutions to overseas customers, we face competition on a global basis. In certain target markets, local and international competitors have capitalized on substantial market opportunities arising from favorable regulatory frameworks and financial incentive programs that may not be equally accessible to us. These local companies may also benefit from stronger relationships with regional governments and may possess greater focus and experience in providing solutions within their respective markets. Our inability to respond effectively to evolving market conditions or to compete successfully with existing or new local competitors could constrain our expansion efforts and have a material adverse effect on our business, financial condition and future prospects. We cannot guarantee that we will be able to compete successfully in the markets in which we currently operate or those we intend to enter in the future.

Price fluctuations and inadequate or interrupted supply of our raw materials and components could adversely affect our business operations, financial condition and future prospects.

Fluctuations in the prices of our raw materials and components could materially affect our cost of sales. In 2023, 2024 and the nine months ended September 30, 2024 and 2025, our raw material costs amounted to RMB227.3 million, RMB194.2 million, RMB89.1 million and RMB355.9 million, representing 92.8%, 88.4%, 83.7% and 92.3% of our cost of sales, respectively. See "Financial Information — Description of Selected Components of Consolidated Statements of Comprehensive Income — Cost of Sales." The actual or expected availability and market prices of our key raw materials and components may vary due to multiple factors beyond our control, including resource availability, changes in market demand, speculative activities, market interruptions, natural disasters and other unforeseen events. As a result, we may not always be able to secure a stable supply of raw materials and components of consistent quality at commercially reasonable prices or on a timely basis.

During the Track Record Period, volatility in the price of energy storage cells, a key raw material of our energy storage solutions, had a pronounced impact on our cost of sales, leading to fluctuations in our overall profitability. According to Frost & Sullivan, with the gradual increase in the supply of lithium carbonate, the price of energy storage cells has declined from approximately RMB0.5/Wh in 2023 to approximately RMB0.4/Wh in 2024. Looking ahead, the price of lithium carbonate is expected to continue decreasing against the backdrop of a stabilizing energy storage industry and sustained supply of lithium carbonate, which may further drive the price of energy storage cells down to approximately RMB0.3/Wh by 2030. See "Industry Overview." Such price movement may materially affect both our cost structure and gross profit margin. We may also face difficulties in identifying or switching to alternative suppliers in response to adverse pricing or supply conditions.

We cannot guarantee that we will not experience material fluctuations in the prices of the major raw materials and components for our products, or that such prices will be favorable to us in the future. Any significant increase in the prices of our major raw materials and components, or any shortage, delay, or quality issue in their supply, could materially increase our production costs and reduce our profitability. In addition, we cannot guarantee that we will be able to pass on all or any portion of the increased costs to our customers or that we will be able to identify alternative suppliers in a timely or cost-efficient manner, or at all. As such, we may be required to adjust the pricing of our products, which might adversely affect our profitability, and prolonged or severe supply disruptions may also impair our production schedules, delay delivery of our products, reduce customer satisfaction and weaken our competitive position.

We rely on the market demand for our solutions. Any slowdown or decrease in downstream demand may have an adverse impact on us.

Our revenue and growth prospects depend on the demand for our solutions from end users across our target markets which is subject to macroeconomic conditions, customer capital expenditure cycles, and changes in government policies, incentive programs or grid-investment priorities. Any adverse changes in these factors may further exacerbate fluctuations in downstream demand for our solutions. A significant slowdown, stagnation, or decline in downstream demand would likely result in reduced orders for our solutions. This could lead to lower sales volumes, downward pressure on pricing, increased inventory levels, and underutilization of production or service delivery capacity. Consequently, our revenue, profitability, cash flows, and overall financial condition could be materially and adversely affected.

We may not be able to fully offset the impact of weak downstream demand through cost-effective measures or diversification into new markets or product lines in a timely or effective manner, if at all. There is no assurance that downstream demand will remain stable or continue to grow, and any sustained downturn in the markets we serve poses a significant risk to our business, results of operations, and financial condition.

Our international strategy exposes us to legal, regulatory, political, operational, economic and other risks that could adversely affect our business operations, results of operations and financial condition.

In 2023, 2024 and the nine months ended September 30, 2024 and 2025, our overseas revenue amounted to RMB38.6 million, RMB135.7 million, RMB60.9 million and RMB212.8 million, representing 14.5%, 50.6%, 48.8% and 44.7% of our total revenue, respectively. As a result, we are exposed to diverse and evolving legal, regulatory, political, operational, economic, commercial, sanctions-related and other risks arising from conducting business across multiple overseas jurisdictions, particularly, in Europe and Asia-Pacific during the Track Record Period. We are also exposed to foreign exchange risks given that our overseas revenue is denominated in local currencies such as euros. Fluctuations in local currencies against Renminbi or other settlement currencies may reduce our reported revenue, increase our costs and create uncertainties in cross-regional capital allocation and cash flow management.

The performance of our overseas operations depends, in part, on our ability to effectively identify, manage and mitigate these risks. The nature, extent and potential impact of such risks on us and our business partners differ across jurisdictions and are inherently difficult to predict with precision or manage. We may face, among other challenges, differing legal and regulatory frameworks, changes in government policies, geopolitical tensions, compliance requirements, commercial practices, market entry barriers, logistical and supply chain disruptions, and macroeconomic uncertainties. We may be unable to formulate and implement appropriate policies or strategies to adequately address all of these risks in each market in which we operate. Our exposure to overseas risks may also lead to increased compliance costs, operational disruptions, delays in project execution, adverse changes in customer or supplier relationships, or exposure to disputes, investigations, lawsuits or other claims. Furthermore, there can be no assurance that our exposure to such risks, which may increase as we continue to expand our international footprint, will not have a material adverse effect on our reputation, business operations, results of operations and financial condition, or require us to devote substantial management time and resources to responding to disputes, lawsuits, legal proceedings or other claims.

We may be unable to expand our production capacity as scheduled or, even if the physical expansion proceeds as planned, we may fail to realize the anticipated increase in output or utilization rate in a timely manner or at all.

In 2023, 2024 and the nine months ended September 30, 2024 and 2025, our production capacity for all energy storage solutions was 148.0MWh, 340.4MWh, 255.3MWh and 624.7MWh, respectively. We plan to expand our production capacity to meet anticipated customer demand. See "Business — Production — Expansion Plan" and "Future Plans and [REDACTED]."

The execution of our production expansion plan will require substantial management attention and financial and operational resources, including additional personnel, capital expenditures and enhanced operational capabilities. Our expansion may also result in higher overhead and support costs and expose us to increased risks associated with scaling manufacturing operations and commercializing new products. Any failure to effectively manage budgeting, financing, forecasting or internal controls in connection with such expansion could adversely affect our business, results of operations and financial condition. In addition, our production expansion projects require obtaining various governmental approvals, permits, licenses and certifications, as well as completing relevant inspections.

Even if our production capacity is expanded as planned, we may not be able to ramp up production output in a timely manner or achieve the expected utilization levels. Our ability to increase production output is subject to various constraints and uncertainties, including (i) delays, performance issues or cost overruns involving suppliers and equipment vendors; (ii) delays in, or failure to obtain, necessary governmental approvals; (iii) challenges in configuring or adjusting production lines; and (iv) the performance, efficiency and reliability of manufacturing equipment and production personnel.

In addition, our manufacturing, testing and quality control processes are complex and technically demanding. Changes to production processes, the introduction of new products or the expansion of capacity may increase the risk of production errors, disruptions or delays. Shortages of qualified employees or delays in onboarding may also limit our ability to achieve desired output levels. Any failure to maintain effective quality control procedures could result in product defects, customer dissatisfaction, higher warranty costs, increased logistics expenses or delivery delays.

If we are unable to increase production output in a timely manner or meet customer demand, we may fail to fulfill customer orders, lose customers to competitors and suffer reputational damage. Even if our capacity is expanded as planned, downstream market demand may not grow as expected. As a result, we may experience low utilization rates or over-capacity. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We may fail to generate adequate returns on our R&D investments, which could adversely affect our competitive position and profitability.

As of the Latest Practicable Date, we had three R&D centers in Wuxi, Xi'an and Shanghai, each focusing on different technologies and product categories. In 2023, 2024 and the nine months ended September 30, 2024 and 2025, our R&D expenses amounted to RMB46.3 million, RMB47.4 million, RMB32.7 million and RMB38.3 million, representing 17.3%, 17.7%, 26.2% and 8.0% of our total revenue, respectively. See "Business — Research and Development" and "Financial Information — Key Factors Affecting Our Results of Operations — Investment in Technological Innovation and Product Development Capabilities."

R&D activities inherently involve uncertainties. There can be no assurance that our R&D projects will be completed on schedule or within budget, or that our newly developed products and technologies will achieve market acceptance or deliver the anticipated performance, sales volume or profitability. If we fail to keep pace with technological advancements or industry trends, our competitive position may be adversely affected.

Even if new products are successfully developed and commercialized, they may not be widely accepted and our existing or potential competitors may develop similar or superior solutions or offer more competitive pricing. Due to uncertainties relating to development timelines and the duration of market opportunities, we may be required to suspend or abandon certain solutions or products that become commercially unviable despite significant investment. Our R&D progress depends on securing qualified personnel in an increasingly competitive talent market. Changes in technical standards, certification requirements or regulations may necessitate redesigns or delay commercialization. If we fail to protect our intellectual property, competitors may replicate our technologies, reducing the returns on our R&D efforts. R&D projects may also require greater resources than expected, resulting in budget overruns or delays.

If our R&D efforts fail to produce commercially successful outcomes, our R&D expenditure may not result in corresponding benefits, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

Technological changes in the energy storage system industry could render our solutions uncompetitive or obsolete, which cannot be accurately predicted nor fully mitigated despite our best efforts in R&D.

The energy storage system industry is characterized by continuously evolving technologies and standards. Such developments may lead competitors to produce energy storage system solutions with superior performance or features. To maintain our market position and remain competitive, we actively invest in the R&D of next-generation products and materials, including next-generation energy storage batteries and inverters. See "Future Plans and [REDACTED]."

There can be no assurance that we will be able to adjust our R&D focus promptly in response to rapid technological changes, successfully commercialize next-generation products, or generate a return on such R&D. If we fail to develop or launch new solutions effectively, our business, results of operations and prospects could be materially and adversely affected.

We may fail to effectively manage our distributors, which could lead to their operational failures or a deterioration in our relationship with them, resulting in an adverse impact on our business, reputation, financial condition and future prospects.

Our distributors play an important role in expanding our sales coverage to markets outside the PRC. As of December 31, 2023 and 2024 and September 30, 2025, we had nine, 11 and 15 distributors in our distribution network, respectively. In 2023, 2024 and the nine months ended September 30, 2024 and 2025, revenue generated through our distributors amounted to RMB13.4 million, RMB30.6 million, RMB8.7 million and RMB42.4 million, accounting for 5.0%, 11.4%, 7.0% and 8.9% of our total revenue, respectively. See "Business — Sales, Marketing and Customer Service — Our Sales and Distribution Network — Distributors."

As such, our business, financial condition and results of operations may be adversely affected if we are unable to effectively manage and expand our distributor network due to various factors, such as (i) termination of business relationships with our distributors; (ii) failure to replace departing distributors with suitable new partners; (iii) failure to effectively manage and expand the geographic coverage of our distribution channels; (iv) our distributors' reduction in order volumes, suspension of new purchases or request for price discounts; (v) changes in applicable laws and regulations, evolving competitive dynamics and shifting customer preferences; (vi) our distributors' financial distress or delayed payments; and (vii) our distributors' failure to effectively promote and sell our solutions.

We have limited control over the daily business activities of our distributors, and even less control over the sub-distributors. In addition, non-compliance by any of our distributors or sub-distributors with the relevant agreements or our policies may adversely affect the overall sales of our products and solutions and our ability to implement development strategies and may expose us to reputational or regulatory risks. If distributors accumulate excess inventory or reduce purchases due to slower sell-through, our orders, sales and working capital may be adversely affected. We may be exposed to credit or collection risks if any distributor fails to make timely payments, experiences financial distress or becomes insolvent. If we are unable to build or maintain well-developed, well-managed distribution networks, our results of operations, financial condition, business and prospects may be adversely affected.

Our overseas operations are subject to complex execution risks, including those related to engineering, permitting and grid connection, which could delay our solution delivery, increase costs or lead to project failures.

The delivery of our solutions in overseas markets typically requires us to manage or rely on third-party EPC contractors, secure local permits and regulatory approvals as well as complete the technical and administrative process for grid connection. Inability to effectively manage these interdependent requirements might prevent the completion of our solution delivery, delay our solutions' commercial operation date, materially increase their cost or subject us to penalties, any of which could adversely affect our business, financial condition and results of operations.

We may rely on third-party EPC contractors to construct our projects. Subpar performance by a contractor, including failures related to engineering design, quality of work, cost control, adherence to schedule or health and safety standards, directly impact a project's success. Such failures could lead to construction delays, cost overruns, performance deficiencies and disputes. Our ability to manage and monitor our EPC contractors across different international jurisdictions, each with distinct business practices, labor laws and supply chain constraints, increases operational complexity and risk.

The process of obtaining all necessary siting, environmental, construction and operational permits in a foreign jurisdiction might be uncertain, time-consuming and costly. Requirements vary significantly by country and region, and are subject to change. Delays, unexpected conditions, or outright denials in the permitting process are common risks that can halt project development, alter project economics or force costly design changes. Differences in local technical codes, grid requirements or engineering standards may also necessitate additional testing or redesign.

The process and timing for connecting our energy storage systems to the local grids is controlled by local grid operator or utility. Technical standards, approval processes and queue backlogs might cause significant delays in grid connection. Failure to achieve timely grid connection or the imposition of restrictive operating conditions by the grid operators may delay our customers' revenue generation as planned.

Any failure to maintain an effective quality management system may have a material adverse effect on our business operations, reputation, financial condition and future prospects.

The quality of our solutions is critical to our business success and reputation. Accordingly, we have established and implemented a quality management system. The effectiveness of this system depends on various factors, including its design, the equipment employed, the competence and training of our personnel, and our ability to ensure consistent compliance with internal quality policies, procedures and guidelines. Furthermore, in the jurisdictions where we offer our solutions (or sell solutions), we are required to comply with applicable product safety and environmental requirements as well as relevant laws and regulations governing restricted and hazardous materials. Our product inspection standards are also based on relevant national and industry requirements and standards.

We cannot assure that our quality management system will remain effective or continue to comply with applicable laws, regulations and standards. Any material failure in or deterioration of the effectiveness of this system could result in the loss of relevant accreditations, certifications, or qualifications, which could materially and adversely affect our business, financial condition and results of operations. In addition, defects arising from upstream suppliers, inconsistencies during production scale-up or failure to pass customer audits or meet country-specific quality standards may lead to product recalls, warranty claims, delivery delays or suspension of sales, any of which could further harm our business and reputation.

Any failure by the third-party manufacturers that we commission for the assembly of our C&I energy storage solutions could adversely affect our business, financial condition and operating results.

We may from time to time commission third-party manufacturers to assemble our C&I energy storage solutions for us to alleviate acute production capacity constraints, manage high delivery pressure and ensure the fulfillment of delivery timelines during periods of significant order volume. While such arrangement provides operational flexibility and scalability, it also subjects us to several risks that could materially and adversely affect our business, results of operations and prospects if not managed effectively.

We may face challenges in maintaining consistent product quality, as we do not have direct control over the third-party manufacturers' production processes or their supply chains. Any failure by them to adhere to our quality specifications, reliability standards or safety protocols could result in defective products, leading to increased warranty claims, product recalls, reputational harm and potential liability. Our outsourced production might also expose us to dependency risks. Any disruption in the third-party manufacturers' operations could lead to significant production delays, order backlogs and our inability to meet customer demand. Furthermore, our outsourced production presents risks related to the protection of our intellectual property and proprietary information, as the production process necessitates sharing technical designs and specifications.

If we fail to manage our inventory effectively or the proportion and amount of our inventory write-down increase, our results of operations, financial condition and liquidity may be adversely affected.

To operate our business effectively and meet customer and end-user demands, we must maintain a certain level of inventory to support production and ensure timely delivery of our solutions. During the Track Record Period, our inventories primarily consisted of raw materials, work in progress and finished goods. As of December 31, 2023 and 2024 and September 30, 2025, our inventories amounted to RMB191.1 million, RMB257.8 million and RMB319.4 million, respectively. We adopt a flexible approach to inventory management and adjust our inventory levels in response to market demand fluctuations. However, we cannot guarantee that we will always maintain optimal inventory levels. Excess inventory or a substantial decrease in expected market prices may lead to inventory write-downs or write-offs, or require us to sell inventory at discounted prices, which could adversely affect our profitability.

Conversely, if we underestimate demand for our solutions, we may be unable to produce sufficient products to satisfy unexpected demand, resulting in delays in delivery and potential harm to our reputation. Despite supply chain management mechanisms, demand forecasts are intrinsically uncertain due to factors such as the launch of new products, pricing changes, customer procurement decisions and evolving customer preferences. As of December 31, 2023 and 2024 and September 30, 2025, we recorded provision for impairment of inventories of RMB3.3 million, RMB10.6 million and RMB4.0 million, respectively. As we continue to expand our production capacity, we may face ongoing challenges in effectively managing inventory, and any mismanagement could materially and adversely affect our business, financial condition and results of operations.

We may be exposed to credit risk associated with our trade and bills receivables.

Our trade and bills receivables mainly comprise trade receivables, representing amounts owed by customers for products provided by us, and bills receivable, representing bank acceptance bills received from customers. As of December 31, 2023 and 2024 and September 30, 2025, the net carrying amounts of our trade and bills receivables were RMB93.0 million, RMB94.0 million and RMB141.3 million, with impairment allowances of RMB4.2 million, RMB7.3 million and RMB11.2 million, respectively. During the same periods, our trade and bills receivables turnover days were 106.0 days, 127.2 days and 66.7 days, respectively. See "Financial Information — Discussion of Certain Selected Items from the Consolidated Statements of Financial Position — Trade and Bills Receivables."

There can be no assurance that we will be able to maintain our receivables turnover at a reasonable level. If the creditworthiness of our customers declines, or if a significant portion of our customers fails to settle their trade and bills receivables in full or on time, we may incur further impairment losses, which could materially and adversely affect our results of operations and financial condition. Delays in payments could also result in additional impairment provisions. We cannot guarantee full recovery of our receivables or timely settlement by our customers and any failure or delay in collection could have a material adverse impact on our financial position and operating results.

We may incur significant costs because of the warranties we provide with our products, and our provisions to cover future potential claims under our product warranties may be insufficient.

For our energy storage system products, we usually provide our customers with a warranty of three to ten years. See "Business — Sales, Marketing and Customer service — Customer service." We provide a provision for these potential warranty expenses, which is based on an analysis of our recent claims, past warranty data and the weight of all possible results and their related probabilities. During the Track Record Period, our provisions made for product warranty were RMB2.7 million, RMB2.4 million and RMB3.9 million, respectively. As we continue to upgrade our products design and introduce new models, there is no assurance that future warranty claims will be consistent with past history, and in the event that we experience a significant increase in warranty claims, there is no assurance that our provision will be sufficient. This could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to financial and reputational risks due to product recalls and product liability claims.

Our energy storage system products are complex and may be subject to failures, accidents or other malfunctions. In particular, thermal runaway of lithium-ion batteries in energy storage systems might cause fires, explosions and toxic gas release. Although we have not experienced any material product quality incidents, recalls or similar events during the Track Record Period and up to the Latest Practicable Date, there can be no assurance that such events will not occur in the future. The risk of product recalls, product liability claims, and associated negative publicity is inherent in the development, manufacturing, and sale of our products, which are becoming increasingly sophisticated as technologies advance.

Efforts to maintain product quality may not always succeed, potentially resulting in costs related to product recalls or liability claims and adversely affecting our brand reputation. Significant recalls or liability claims could materially and adversely affect our business, financial condition and results of operations. Such events may also generate negative publicity, disrupt manufacturing schedules and delivery obligations as well as impede the commercialization of future products.

We might be subject to risks inherent in operating our WHES Virtual Power Plant and participating in the power trading markets.

Our operation of WHES Virtual Power Plant that aggregates distributed energy resources to participate in the power trading markets exposes us to a complex set of regulatory, market, operational and technological risks.

The core of our WHES Virtual Power Plant relies on complex software for the forecasting, optimization, real-time dispatch and secure communication with aggregated assets. Any failure, bug or cybersecurity breach in our technology platform could lead to operational disruptions, inaccurate bidding in markets or failure to meet dispatch instructions, resulting in financial penalties, reputational damage and loss of market access. The performance and availability of the distributed energy resources are also beyond our direct control and subject to individual asset failures, weather variability and customer behavior, which can impact our ability to deliver committed power and services.

In addition, our revenue from WHES Virtual Power Plant might be heavily influenced by volatile electricity prices, ancillary service market rates and the regulatory frameworks established by grid operators and government agencies. Sudden and significant fluctuations in energy prices, changes in market rules, the reduction or elimination of incentive programs for distributed energy resources or unfavorable shifts in energy and climate policy could dramatically alter the economic viability of our VPP operations and reduce our profitability.

We might be subject to liabilities and disruption in operations in connection with accidents that occur during the installation process due to, among others, our installers' failure to comply with safety measures and procedures.

For the installation and commissioning of our energy storage solutions, we rely on our regional distributors and installers. We implement and require our distributors and installers to comply with our safety measures and procedures. Nevertheless, there is no assurance that they will strictly follow our safety measures and procedures. As our installation and commissioning processes are complicated and inevitably involve operation of tools, equipment and machinery, accidents resulting in injuries might occur. Such accidents might result in disruption of our operation and subject us to liabilities and warranty claims in overseas jurisdictions, and we might not have adequate or sufficient insurance to cover such liabilities, which could then adversely affect our business, results of operations and financial condition. We cannot assure you that we will not experience material safety-related or occupational accidents in the future. If such accidents occur, our reputation and business prospects may be materially and adversely affected.

We may be unable to secure new sales or maintain our existing customers in the future.

Our sales are typically conducted under contractual agreements, which require us to continuously secure new contracts as existing ones expire. We cannot guarantee that we will be able to retain our existing customers, renew existing contracts or obtain new contracts of comparable terms and quality, or that our customers will maintain their current level of business with us. The loss of key customers or a substantial reduction in the number or value of contracts could materially and adversely affect our financial condition and results of operations.

In addition, if any of our customers encounters liquidity or financial difficulties, they may delay or default on payments, which could negatively impact our cash flows and financial position. We may also face challenges in diversifying our customer base or expanding relationships with other customers. Failure to mitigate these risks could materially and adversely affect our business, financial condition and operating results.

We may not be successful in our AI initiatives, which could adversely affect our business, reputation or financial results.

We are incorporating AI technology into various aspects of our business and energy storage system solutions to enhance real-time energy analysis, automate complex processes and personalize energy storage strategies, helping us address customer and end-user needs more efficiently. See "Business — Our Solutions." However, AI involves inherent uncertainties and risks that could adversely affect its adoption and impact our business. AI algorithms may be flawed and the data used could be incomplete, biased or otherwise inappropriate. Inappropriate or controversial data practices, whether by us or third parties, could limit market acceptance of our AI-enabled products and there is no assurance that AI integration will improve the performance, efficiency or profitability of our solutions, or that investments in AI will generate the anticipated commercial benefits.

In addition, the regulatory and legal framework governing AI is evolving. It is unclear how laws related to online services, intermediary liability, data protection and other matters will apply to AI-generated content. We may also face heightened governmental or regulatory scrutiny, litigation, legal liability, ethical concerns, negative consumer perceptions regarding automation and AI, or other issues affecting safety and well-being on- or offline. Any of these factors could materially and adversely affect our business, financial condition, results of operations or reputation.

Our historical performance may not be indicative of our future growth, and we may be unable to sustain a similar level of growth in the future.

Our historical growth rate may not be sustainable or indicative of our future growth rate, and in future periods, our growth could be slower than we expect or decline. We believe that continued growth in our revenue as well as our ability to improve margins and profitability, will depend upon, among other factors, our ability to address the challenges, risks, and difficulties described herein. We cannot provide assurance that we will be able to successfully manage any such challenges or risks to our future growth. Any of these factors could cause our revenue growth to slow down or decline and may adversely affect our margins and profitability.

We are subject to risks associated with international trade policies, geopolitics and trade protection measures, tariffs and rising political tensions, and our business, financial condition and results of operations could be adversely affected.

Our business is exposed to evolving international trade policies, sanctions regimes, export controls, tariffs and geopolitical tensions, which could adversely affect our operations, financial condition and results of operations.

Some of our customers are located outside of China, and deteriorating geopolitical or geoeconomic relations may disrupt supply chains, limit market access or increase compliance burdens. Certain foreign jurisdictions may impose sanctions or trade restrictions that directly or indirectly affect China-based companies based on product origin, ownership or other factors, and these frameworks frequently change and are subject to uncertain interpretation and enforcement, including in the context of asserted national security concerns.

Existing or future trade-related restrictions, particularly those imposed by the United States, the European Union, the United Kingdom, Australia and the United Nations, could be costly or burdensome to satisfy and could materially impact us and our customers. These measures may limit our ability, and that of our suppliers and customers, to obtain technologies, systems, devices or components that are critical to our solution offerings, and may constrain sales in certain foreign markets. The United States in particular maintains extensive economic sanctions and has also implemented export controls that require licenses for the export, reexport and in-country transfer of items subject to U.S. jurisdiction under the Export Administration Regulations (the "**EAR**") administered by the Bureau of Industry and Security (the "**BIS**"), including restrictions tied to the Entity List. Absent satisfaction of applicable licensing requirements, transactions involving items subject to the EAR with listed parties are generally prohibited, and in recent years BIS has increasingly designated PRC entities and individuals, tightening restrictions applicable to China.

Non-compliance with sanctions or export controls could result in whistleblower complaints, adverse media coverage, investigations and severe administrative, civil or criminal penalties, as well as collateral consequences, remedial obligations and legal expenses, any of which could materially and adversely affect our business, reputation, financial condition and results of operations.

Any failure to provide efficient after-sales services to our customers or end-users may harm our customer relationships and consequently adversely affect our business operations and financial condition.

We provide solutions to our customers or end-users, and sales of these solutions are typically accompanied by after-sales services such as commissioning, maintenance and technical support. Our business success depends in part on our ability to deliver high-quality solutions to our customers or end-users. Failure to provide timely and effective after-sales service and technical support could harm our reputation, lead to lost sales, customer complaints and warranty claims, and thus have a material adverse effect on our business, financial condition and operating results.

A substantial amount of our revenue may be attributable to a limited number of customers.

Our major customers during the Track Record Period primarily included (i) C&I energy storage solution investors; (ii) construction and investment enterprises and energy groups; and (iii) property owners. A substantial amount of our revenue may be attributable to a limited number of customers. For instance, our largest customer in 2023 contributed 59.4% of our total revenue. We cannot assure you that our major customers will not change their business scope or business model, encounter project delays or cancellations, or suspend their operation, or fail to comply with applicable laws, licenses or approvals, or that they will not encounter any operating or financial difficulties. Any material adverse changes in the business, procurement schedules, operations and financial conditions of such customers may have a material adverse effect on us.

There is also no assurance that we are able to maintain a good relationship with our major customers, or that our major customers will continue to have high demand for our products in the future. Major customers may also exert significant bargaining power, including pricing pressure or less favorable contractual terms, and any deterioration in their financial condition may expose us to credit risk or delayed payments. Under the aforementioned circumstances, if we are unable to identify suitable new customers within a reasonable period of time, or if demand from any key customer segment declines, our business, financial condition and results of operations may be adversely affected.

We are exposed to concentration risk of reliance on our major suppliers.

Our major suppliers primarily include vendors of batteries and accessories, transformers, power modules and sheet metal components. In 2023, 2024 and the nine months ended September 30, 2025, purchases from our five largest suppliers in each period during the Track Record Period accounted for 41.5%, 41.1% and 50.1% of our total purchases, and purchases from our largest suppliers in each period during the Track Record Period accounted for 11.7%, 21.0% and 34.2% of our total purchases, respectively.

Our reliance on these major suppliers subjects us to the concentration and counterparty risks. We cannot assure you that we will be able to maintain our relationships with our major suppliers in the future. Moreover, we cannot guarantee that our major suppliers will not have a change of business scope or business model or will continue to maintain their market position and reputation. Any material adverse change to the operation, financial performance or financial condition of our major suppliers may result in material adverse impact on their business with us. For example, if the supply of key raw materials from our major suppliers is disrupted or delayed, there can be no assurance that we will be able to find new suppliers with similar supply capacity on comparable commercial terms within a reasonable period of time, or at all. Should any of these occur, our business, financial condition, results of operations and profitability might be adversely affected.

Our information technology and systems may experience malfunctions, including unexpected system failures, service interruptions, insufficient capacity, cyber-attacks or security breaches, which could have a material adverse effect on our reputation, business operations and financial condition.

We rely on information technology systems to conduct and monitor the daily operations of our manufacturing facilities and to collect financial, operating and other transactional data, including procurement, production, inventory and sales and logistics, for business analysis and forecasts. In addition, we store various proprietary information and customer data in these systems. Therefore, our business is dependent upon the continued maintenance and enhancement of our information technology systems.

These information technology systems are subject to certain risks, such as malfunction, natural disasters and cyberattacks. Our cybersecurity measures may not timely detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks that may disrupt the operation of the information technology systems. Any breach of our cybersecurity measure, or malfunction, damages, disruptions or shut down of our information technology systems may result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of customer information, or a denial-of-service or other interruption to our business operations. In cases of cyberattacks, we may also be asked to make a lump-sum payment in order to resume the operation of our systems. However, there is no assurance that we will not be subject to any of these cyber security issues in the future. If we cannot effectively resolve the issues in a timely manner, our business, financial condition and results of operations may be adversely affected.

Furthermore, we need to constantly upgrade and improve our information technology systems to keep up with the continuous growth of our operations and business. We may not always be successful in installing, running or implementing new software or advanced information technology systems as required by our business development. All of the above may have an adverse impact on our business, financial condition and results of operations.

Our business depends on our ability to protect our intellectual property rights, and we may be exposed to intellectual property infringement and other claims by third parties, which, if successful, could cause us to pay significant damages and incur other costs.

We rely primarily on a combination of our patents, copyrights, trademarks, the confidentiality agreements signed by the employees and confidentiality agreements signed with the third parties to protect our intellectual property rights. As of the Latest Practicable Date, we were granted 86 patents globally, among which 33 were invention patents and 35 were utility patents. In addition, we had 50 registered software copyrights, 14 registered domain names and 53 registered trademarks globally. See "Business — Intellectual Property." There is no assurance that we will be able to successfully apply and be granted new intellectual property rights in a timely and cost-effective manner in the future, for such applications are expensive and time consuming.

Despite our efforts to protect our proprietary rights, unauthorized parties may be able to obtain and use information that we regard as proprietary. Under such circumstances, to protect our intellectual property rights and maintain our competitive advantages, we may initiate legal proceedings against parties, who we believe are infringing our intellectual property rights. Legal proceedings are often costly and may divert management attention and resources away from our business. In certain situations, we may have to initiate such legal proceedings in foreign jurisdictions, in which case we are subject to additional risks as to the result of the proceedings, the amount of damages that we can recover, and the enforcement process. As of the Latest Practicable Date, we were not involved in any legal proceeding against parties who we believe are infringing upon our intellectual properties.

Our success is also subject to our ability to use, develop and protect our technology and trade secrets without infringing the intellectual property rights of third parties. Others may hold or obtain patents, copyrights, trademarks or other proprietary rights used in our products and service. This might prevent, limit, or interfere with our production, use, development, sales or marketing, and could therefore disturb our daily operations and distract our management. From time to time, we may receive communications from intellectual property right holders regarding their proprietary rights. Companies holding patents or other intellectual property rights may bring suits alleging infringement of such rights or otherwise assert their rights and urge us to obtain licenses. Our uses of trademarks relating to our design, software or technology could be found to infringe upon existing intellectual property rights owned by others.

In addition, if we are found to have infringed upon a third party's intellectual property rights, we may be required to do one or more of the following: (i) cease to sell products that are involved in the challenged intellectual property rights owned by others; (ii) pay damages; (iii) redesign our products; or (iv) establish and maintain alternative branding for our product.

The validity and scope of any potential claims or requests can be complicated and involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings or requests can be both costly and time consuming and may significantly divert the efforts and resources of our management. A determination in any such litigation or proceedings or requests to which we are a party may invalidate our patents, subject us to pay damages to third parties, require us to seek licenses from third parties, pay ongoing royalties, redesign our products, subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Any of the aforementioned will materially and adversely affect our business, financial condition and results of operations.

We require significant upfront funding for the deployment of our solutions and if we do not have access to such funding, our financial condition and results of operations could be adversely affected.

The deployment of our solutions typically requires substantial upfront funding. We require a considerable amount of capital to purchase components and other materials to assemble and integrate our energy storage systems. If we are unable to secure such upfront funding, our financial condition and results of operations could be adversely affected, and we might not be able to fulfill our financial obligations and business objectives.

Our ability to source funding on desirable terms is subject to a number of uncertainties, including, among other things, our financial condition, results of operations, cash flows and credit history, the conditions of the global and domestic financial market, changes in monetary policy with respect to bank lending practices and conditions in the regions where we operate and changes in interest with respect to borrowing practices in the regions where we operate. If adequate working capital is not available to us in a timely manner and on acceptable terms or at all, we may not be able to develop or expand our business and therefore, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our performance is subject to seasonality.

According to Frost & Sullivan, the sales of our energy storage solutions exhibits a certain level of seasonality, which is attributable to (i) shifts in power demand, which typically peaks in winter seasons and amid extreme weathers or energy crunch; (ii) policy influences, which may create a period of concentrated installation at the end of a year; and (iii) holidays, which may slow down project approvals and installations. Typically, we experience a slowdown in order intake and project delivery in the first quarter due to holidays, including Christmas, the New Year and the Chinese New Year, which decelerate logistical and on-site activities, and a peak in order intake in the third quarter. See "Business — Seasonality." As a result, comparisons of operating results between different periods within the same financial year may not be meaningful and should not be relied upon as indicators of our overall performance. Our financial condition and results of operations may continue to experience periodic fluctuations due to seasonality.

Our revenue recognition and cash flows are subject to risks inherent in our milestone-based payment collection, which could lead to volatility in our financial results.

We employ a milestone-based payment collection mechanism tied to the physical and contractual progress of our projects. We collect payments from customers at key stages, typically structured as an advance payment followed by payments upon delivery, arrival at site, commissioning, final acceptance and retention of a quality guarantee deposit. While this model provides alignment with project execution, it exposes us to specific financial and operational risks that could adversely affect the timing of our revenue recognition, our operating cash flows and our overall financial performance. Our ability to recognize revenue at each milestone is directly contingent upon the timely completion of defined project stages. Any significant delays in project execution could delay the achievement of the associated milestones. Consequently, our revenue recognition related to those delayed milestones would be postponed, potentially causing significant volatility in our financial results.

We had incurred loss for the year/period and recorded operating cash outflows during the Track Record Period, and may not be able to subsequently maintain profitability in the near future. We recorded loss for the year/period of RMB153.7 million, RMB204.5 million, RMB165.2 million and RMB40.4 million in 2023, 2024 and the nine months ended September 30, 2024 and 2025, respectively. There is no assurance that we will be able to subsequently achieve profitability in the near future and may continue incurring net losses, as we are in the stage of expanding our business and operations. If we are unable to generate sufficient operating cash flows, we may need to rely on external financing to fund our operations, which could result in increased financial costs and liquidity risks. A sustained inability to generate positive operating cash flows could adversely affect our ability to fund our operations, invest in growth opportunities, meet our financial obligations, or maintain sufficient liquidity, which could materially and adversely affect our business, financial condition, and results of operations.

We are subject to the risk of changes in government grants and preferential tax treatments, which could affect our financial performance.

In 2023, 2024 and the nine months ended September 30, 2024 and 2025, we received government grants of RMB1.8 million, RMB6.0 million, RMB4.4 million and RMB2.1 million, respectively. Some government grants arise from our cooperation with local governments, and not all government grants are recurring in nature. See "Financial Information — Description of Selected Components of Consolidated Statements of Comprehensive Income — Other Income." The availability of government grants are also subject to eligibility criteria and procedures set by local authorities. Failure to meet the relevant criteria or adhere to stipulated procedures may result in a reduction or termination of the government grants we receive or the favorable policies that we benefit from. Moreover, local governments' development priorities may shift over time, and there can be no assurance that we will receive similar grants in the future or that grants already received will not be required to be returned. A reduction or loss of such grants could adversely affect our financial condition and results of operations.

During the Track Record Period, we benefited from a preferential tax rate of 15% as a "High and New Technology Enterprise (高新技術企業)." Such preferential tax treatments and incentives are subject to review, renewal and potential adjustment or revocation by the PRC authorities. We cannot guarantee that these benefits will remain valid or be successfully renewed. Any discontinuation or adjustment of our current tax treatments could materially increase our tax obligations and negatively affect our net income.

We may be materially and adversely affected if we fail to detect or prevent fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other third parties.

We are exposed to risks arising from potential fraud, illegal conduct or other improper acts by our employees, customers, suppliers or other third parties. Such misconduct may involve intentional, reckless or negligent violations of laws and regulations, including fraud, corruption, bribery, tax evasion or other unlawful activities. We may not be able to detect or prevent such behavior, and the measures we implement to prevent misconduct may be insufficient to address unknown or unmanageable risks, or to protect us from investigations, enforcement actions, or litigation arising from non-compliance with applicable laws or regulations.

If any of these events occur, we, our business partners or current or former employees could be subject to administrative, civil or criminal penalties as well as legal costs and other remedial actions. Actual or alleged misconduct could also result in negative publicity, damage our brand and reputation and materially and adversely affect our business and operating results.

We face the risk related to our leased properties.

As of the Latest Practicable Date, we leased 48 properties in the PRC and we had not completed the administrative filing of all our lease agreements with the relevant government authorities, primarily because the lessors (i) failed to provide documents evidencing their ownership of or right to lease these properties; or (ii) were unwilling to cooperate with the registration and filing process. While the failure to complete such administrative filing may not affect the legality, validity or enforceability of the lease agreement, the relevant government authorities may require us to complete the lease registration within a specified time frame, failing of which may subject us to a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements. See "Business — Properties — Leased properties." We cannot assure you that the relevant authorities will not impose penalties for failure to register these lease agreements.

In addition, we cannot ensure whether the lessors have the legal rights to lease the relevant properties to us, and if not, our use of such leased properties might be challenged by third parties. As of the Latest Practicable Date, we were not aware of any challenges raised by third parties regarding our use of such properties. We cannot guarantee that our leasehold interests in these leased properties will not be challenged in the future. If the owners or the mortgagees of lease properties, or the relevant regulatory authorities, challenge our right to use the leased properties, we may be unable to safeguard our leasehold interests and need to vacate the affected properties and find alternative locations with similar functionalities, which could incur extra costs for relocation and have a material adverse effect on our business and financial condition.

We could face operational disruptions and liabilities due to accidents in our manufacturing process, which may be caused by a failure to adhere to safety measures and procedures, among other factors.

We implement safety measures and procedures in our operations and require employees to comply with our internal policies. During the Track Record Period, there were no safety-related or occupational accidents. However, there can be no assurance that these measures are consistently followed. Our manufacturing processes are complex and involve the use of tools, equipment, machinery and chemical materials, and accidents resulting in employee injuries or fatalities may occur. Such incidents could disrupt our operations, expose us to liabilities and we may not have sufficient insurance coverage to fully mitigate these risks. Any such events could materially and adversely affect our business, results of operations and financial condition.

Work stoppage, increases in labor cost and other labor related matters may have an adverse effect on our businesses.

Maintaining good working relationships with our employees is essential to our operations. We have not experienced any material work stoppages, strikes or other major labor disputes during the Track Record Period. However, there can be no assurance that such events will not occur in the future. Any strikes or work stoppages could materially disrupt our operations and increase labor costs, adversely affecting our business, financial condition and results of operations.

Employees of our suppliers or customers may also experience labor instability or become unionized, and we may not be able to predict the outcome of future labor negotiations. Conflicts with labor unions, whether directly or indirectly through suppliers or customers, could negatively affect our financial condition and results of operations.

In 2023, 2024 and the nine months ended September 30, 2024 and 2025, our direct labor costs amounted to RMB1.8 million, RMB5.1 million, RMB2.9 million and RMB4.4 million, representing 0.7%, 2.3%, 2.7% and 1.1% of our total cost of sales, respectively. Labor costs in the regions where we operate have generally increased in recent years and may continue to rise. We may be unable to pass on these increased costs to customers due to market competition, which could reduce our profit margins and materially and adversely affect our financial condition and results of operations.

Failure to make adequate social insurance and housing provident fund contributions as required by the PRC laws and regulations may subject us to penalties.

According to relevant PRC laws and regulations, if any of the relevant social insurance authorities is of the view that the social insurance contributions we made for our employees do not comply with the requirements under the relevant PRC laws and regulations, the social insurance authorities may demand us make payments or supplementary payments for the unpaid social insurance contributions within a prescribed time limit together with a 0.05% late payment penalty of the unpaid social insurance contributions per day from the due date. If the payment is not made within such time limit, the relevant administrative authorities will impose a fine ranging from one to three times of the total outstanding amount. If any of the relevant housing provident fund authorities is of the view that our contributions to the housing provident fund do not satisfy the requirements under the relevant PRC laws and regulations, we may be ordered to make the payment or makeup the shortfall within the prescribed time limit, otherwise, the housing provident management center is entitled to apply for compulsory enforcement with the People's Court. See "Regulatory Overview — Regulations related to Employment, Social Insurance and Housing Fund."

During the Track Record Period and up to the Latest Practicable Date, we had not been imposed any administrative penalties as a result of our non-compliance with social insurance and housing provident fund related PRC laws and regulations. As advised by our PRC Legal Advisor, in the absence of any significant changes in regulatory requirements regarding social insurance and housing provident fund contributions, the likelihood that we would be subject to centralized collection of the outstanding historical social insurance and housing provident fund contributions by relevant government authorities and any material administrative penalties due to failure to make such contributions in full amount for our employees is remote, based on (i) written confirmations from, and our consultation with, the relevant competent government authorities; (ii) during the Track Record Period and up to the Latest Practicable Date, no administrative penalties or centralized collection of the outstanding historical social insurance and housing provident fund contributions was imposed on us with respect to the shortfall of social insurance and housing provident fund contributions; (iii) we did not and assuming we will not experience any material claims raised by employees to the competent government authorities regarding such shortfall; and (iv) we undertake that if we receive notice from competent government authorities requiring us to pay the outstanding contributions, we will take immediate measures as required. See "Business — Employees."

There is no assurance that there will not be any employee complaint against us in relation to our failure to make full social insurance and housing provident fund contributions. There is also no assurance that we will not be ordered to rectify for the outstanding amount or subject to penalties imposed by the relevant PRC authorities as a result thereof. Any such complaints, orders or penalties may have an adverse effect on our financial condition and results of operations.

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

Due to the highly specialized and technical nature of our business, our operations depend on our ability to attract, train, and retain a sufficient number of highly skilled employees and other key personnel. The loss of any such personnel, whether due to their inability or unwillingness to continue working with us, could be difficult or time-consuming to replace, or may not be replaceable at all, which could adversely affect our operations.

The energy storage system industry is characterized by strong demand and intense competition for qualified talent. As a result, we may be required to offer higher compensation and benefits to attract and retain skilled employees. As a relatively young company, our ability to recruit, train and effectively integrate new personnel may not keep pace with our business growth. Failure to attract, retain or develop sufficient qualified personnel could materially and adversely affect our business and results of operations. In addition, the departure of employees may increase the risk of disclosure of commercially sensitive information, including proprietary know-how, which could weaken our technological advantages and competitive position.

Our reputation is key to our business success. Negative news or publicity may adversely affect our reputation, business and growth prospects.

Any adverse news or publicity relating to us, or any of our Directors, management team, Controlling Shareholders, joint ventures, distributors, business partners, counterparties, or their respective affiliates, regardless of whether such parties act on our behalf, use or associate with our brand, or whether such information is ultimately proven to be inaccurate, could harm our reputation, business, and growth prospects.

There can be no assurance that negative publicity will not damage our reputation or brand image. Given the specialized nature of our industry and market, unfavorable news, publicity, or word-of-mouth may spread rapidly and negatively affect our reputation, brand perception, or relationships with third parties. Even where we are not directly involved in, responsible for, or liable in connection with any litigation, dispute, or allegation, such publicity may still adversely affect our reputation and stakeholder relationships, which could materially and adversely affect our business, financial condition and results of operations.

Our risk management and internal control systems as well as the risk management tools available to us may not fully protect us against various risks inherent in our business.

We have established internal control and risk management systems, including organizational structures, policies and procedures, to monitor and manage risks associated with our business operations. See "Business — Risk Management and Internal Control." However, due to inherent limitations in the design and implementation of such systems, they may fail to identify, manage or mitigate all risks, particularly in the event of significant changes in external circumstances or the occurrence of unforeseen or extraordinary events.

In addition, new business initiatives may expose us to risks that are not currently known or fully anticipated. If our risk management and internal control systems fail to identify or address such risks in a timely manner, or if they are found to have deficiencies or weaknesses, our business, financial condition and results of operations could be materially and adversely affected. The effectiveness of our risk management framework also depends on proper implementation by our employees, and there can be no assurance that such implementation will always be effective or free from human error, negligence or intentional misconduct. Any failure to implement our policies and procedures promptly or to identify and address risks in a timely manner could adversely affect our operations, including our ability to maintain required governmental approvals and licenses.

We may be adversely affected in our business operations, financial condition and future prospects if we fail to obtain or maintain the necessary licenses, permits, certificates, approvals, registrations or filings required by the regulatory environment applicable to our operations in any jurisdiction where we operate, or if the process of obtaining or maintaining such licenses, permits, certificates and approvals is time-consuming or costly.

Our operations are subject to laws and regulations of multiple jurisdictions, which regulate various aspects of our business. We are required to obtain and maintain a number of certificates, licenses, approvals and permits in order to provide our solutions. The granting, renewal and continued validity of such regulatory approvals are subject to our ongoing compliance with applicable requirements prescribed by relevant governmental authorities or organizations. Certain certificates, licenses, approvals and permits obtained during the Track Record Period and up to the Latest Practicable Date are valid only for limited periods and are subject to periodic review and renewal.

The applicable compliance standards and regulatory requirements may change from time to time, and the legal and regulatory framework governing our industry may continue to evolve. Such changes expose us to the risk of non-compliance. If we are found to be in violation of applicable laws or regulations, we may be subject to administrative or regulatory penalties, including fines, suspension or revocation of relevant licenses, approvals or permits, which could disrupt or suspend our operations and materially and adversely affect our business and results of operations. In addition, amendments to existing laws, regulations or compliance requirements may impose additional obligations on us in the future, further increasing our compliance risks.

We may not have adequate insurance to cover losses and liabilities arising from various operational risks and hazards.

Our business is exposed to various operational risks, including disruptions arising from operational errors, power interruptions, equipment failures or suspensions caused by other factors. We may also be subject to operational constraints imposed by environmental or other regulatory requirements as well as risks associated with social, political or labor unrest, environmental or industrial accidents and catastrophic events, such as fires, earthquakes, explosions, floods or other natural disasters. In addition, geopolitical tensions, policy changes and risks relating to intellectual property and technology protection may adversely affect our operations.

The occurrence of any of the foregoing events may result in damage to or destruction of our production facilities, personal injury or loss of life, environmental harm, financial losses or legal liabilities and could disrupt our operations or cause us to incur significant losses. To mitigate certain operational risks, we maintain various insurance policies, including property insurance, product liability insurance, export insurance, employer's liability insurance and group accident insurance. See "Business — Insurance." However, we may not maintain sufficient or appropriate insurance coverage for all operational risks and there can be no assurance that our insurance will adequately cover any losses or liabilities we may incur. Any uninsured or underinsured losses could materially and adversely affect our business, financial condition and results of operations.

Our business operations are subject to force majeure events and unforeseen, hostile or catastrophic events.

If any force majeure event or other event beyond our control occurs, our customers may be entitled to terminate their contracts with us. In such circumstances, customers may only be required to compensate us under limited conditions, such as damage to or loss of our containers, and we may be required to bear losses to the extent that our insurance coverage is insufficient. Any uninsured or underinsured losses could materially and adversely affect our business, results of operations, and financial condition.

Our operations are also susceptible to interruption or damage caused by unforeseen, hostile or catastrophic events that are beyond our control, including wars, terrorist attacks, natural disasters, public health emergencies and extreme weather conditions such as floods, heavy rainfall, strong winds and waves. Such events may disrupt global financial markets and weaken consumer confidence. In addition, severe weather conditions may require us to temporarily suspend operations in response to warnings issued by national meteorological authorities or result in prolonged operational disruptions. There can be no assurance that such events will not occur or that they will not cause significant damage to our operations. Any failure to effectively manage or mitigate these risks could materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

We may be subject to the CSRC's or other Chinese governmental authorities' approvals, filing requirements or other regulations regarding this [REDACTED] and future fundraising activities.

We plan to file with CSRC within a specific time limit as required by the Trial Measures. See "Regulatory Overview — Regulations Related to Overseas Securities Offering and Listing and Full Circulation." However, we cannot assure you that we will be able to complete the required procedures and fully comply with these regulations in a timely manner, or at all. If we fail to complete the filing procedure or the filing documents submitted contain any misrepresentation, misleading statement or material omission, our ability to complete the proposed [REDACTED] may be restricted. We also cannot assure you that we would be able to complete all the requirements to the extent subsequently required by the relevant regulatory authorities, in a timely manner, or at all, or that completion of any additional compliance requirements would not be imposed. Furthermore, we cannot assure you that new laws, rules or regulations will not be promulgated in the future that would impose additional requirements on us. Any failure to complete or delay in completing such procedures for this [REDACTED] and [REDACTED], or our future capital raising activities such as follow-on equity or debt [REDACTED], [REDACTED] on other stock exchanges, and going private transactions, as required under the Trial Measures, or a rescission of any such filings completed by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in mainland China, and other forms of sanctions that may have a material adverse effect on our business, financial condition, and results of operations.

Evolving legal systems of certain geographic markets where we operate could affect our business, financial condition and results of operations.

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value. The legal systems of some geographic markets where we operate are consistently evolving. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the enforcement of these laws and regulations are subject to future interpretation and implementations. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate.

The governments of our geographic markets may, on many occasions, introduce new laws, rules and regulations relevant to our businesses and amend or replace the current applicable regulations, requiring us to conduct business with newly enacted oversight and regulatory compliance. Additionally, any developments in the applicable laws, rules and regulations in the future could require us to obtain newly enacted licenses, permits, approvals, or certificates, increase our operational expenses, or impose additional compliance requirements, which could affect our businesses and operations. Scrutiny and regulations of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing these regulations. Changes in current laws or regulations or the imposition of new laws and regulations in our geographic markets may slow the growth of our industries and affect our business, financial condition and results of operations.

Our business is subject to a variety of evolving laws, regulations and regulatory requirements regarding data security, personal information protection and cybersecurity, and any cybersecurity and data security incidents might result in interruption of our information technology facilities and key manufacturing processes, which could have a material adverse effect on our business and operating results.

The laws and regulations relating to data security, personal information protection and cybersecurity that we are subject to include, among others, the PRC Data Security Law (《中華人民共和國數據安全法》), the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》) , the PRC Cybersecurity Law (《中華人民共和國網絡安全法》) and the Regulations on Network Data Security Management (《網絡數據安全管理條例》). We have utilized significant resources to comply with the relevant requirements and obligations and have taken appropriate security measures to protect our data, information technology systems, software and databases. Despite all these efforts, data security and cybersecurity incidents may still occur due to the limitation of development of information security technology and reasons beyond our reasonable control, and there is no guarantee that our privacy and data protection measures will always be considered sufficient under applicable laws and regulations. Our production of energy storage systems is dependent on a combination of automated industrial and information technology facilities, and in the event of a data or cyber security incident, our production capability could be adversely impacted, which might lead to a reduction in product supplies and distribution, thereby significantly affecting our business operations and financial performance. In addition, the effectiveness of our services and privacy and data protection measures is also subject to system failure, interruption, inadequacy, security breaches or cyberattacks. If we are unable to address any privacy and data protection concerns, such actual or alleged failure could damage our reputation, deter current and potential business partners from using our services, which will adversely affect our business, results of operations and financial performance.

Non-compliance by our employees, distributors, customers or suppliers with applicable anti-bribery and anti-corruption laws, economic sanctions or other forms of illegal or improper conduct could have a material adverse impact on our business operations.

Employees, distributors, customers, or suppliers may be subject to anti-corruption, economic sanctions, and other laws and regulations in the jurisdictions where they conduct activities. We cannot guarantee that every employee, distributor, customer, or supplier will strictly comply with such anti-corruption, economic sanctions, and other laws and regulations. Non-compliant behavior or even mere allegations of non-compliance by employees, distributors, customers, or suppliers could expose us to whistleblower complaints, adverse media coverage, investigations, and significant administrative, civil, and criminal penalties, as well as collateral consequences, remedial measures, and legal expenses. All of these could have a material adverse effect on our business, reputation, financial condition, and operating results.

We may be involved in legal or administrative proceedings and commercial disputes with the potential to materially and adversely affect our business operations, financial condition and future prospects.

Our business operations are subject to legal/administrative proceedings and commercial disputes, including litigation and other legal and/or regulatory action risks related to product liability, delivery, sales and customer service, leases, and labor disputes. We may face claims and litigation in the ordinary course of business. We may also be subject to inquiries, inspections, investigations and litigation by relevant regulatory and other governmental agencies. Litigation brought against us could result in liquidation, injunctions, fines, penalties, or other unfavorable outcomes, which could harm our business, financial condition, operating results, and reputation. Even if we successfully defend against such litigation, the associated defense costs could represent a significant expense for us. In such cases, our business, financial condition, operating results, cash flows, and reputation could be materially and adversely affected.

Increasing focus on environmental, social and governance matters may impose additional costs on us or expose us to further risks.

In recent years, regulators, governmental authorities, investor groups and other stakeholders have placed increasing emphasis on environmental, social and governance ("**ESG**") matters. As ESG considerations continue to evolve, our business operations may become subject to more stringent compliance requirements, enhanced disclosure obligations and heightened stakeholder scrutiny. Any further tightening of relevant laws, regulations or market expectations may increase our compliance costs and operational burden.

Although we did not experience any material ESG-related incidents during the Track Record Period, we cannot assure you that similar issues will not arise in the future. Failure to meet applicable ESG requirements or perceived shortcomings in our ESG performance, even if not legally mandated, may adversely affect investor confidence, limit our access to capital, or subject us to negative publicity. Any resulting reputational harm, increased compliance costs or adverse regulatory actions could materially and adversely affect our business, financial condition and results of operations.

Investors may encounter difficulties in serving legal process on us and our directors and management members or enforcing judgments against us.

We are a company incorporated under the laws of the PRC and a majority of our assets and subsidiaries are located in the PRC. Most of our Directors and senior management reside within the PRC. The assets of these Directors and senior management also may be located within the PRC. As a result, it may be difficult to effect service of process upon most of our Directors and senior management outside the PRC.

Although we will be subject to the Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong upon the [REDACTED] of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong do not have the force of law in Hong Kong.

We are subject to foreign exchange regulations.

The conversion of RMB is subject to applicable laws and regulations in the PRC. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business.

Foreign exchange transactions under the capital account, however, need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law or handle the relevant procedures at banks authorized to conduct foreign exchange business in accordance with the law. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or to satisfy any other foreign exchange requirements, or to capitalize our capital expenditure plans, and even our business, operating results and financial condition, may be affected.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits are defined as our profits after taxes as determined under PRC GAAP less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient, if any, distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under HKFRSs in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under HKFRSs, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

Holders of our H shares may be subject to Chinese income tax and dividends distributed may be subject to Chinese taxes.

Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (國稅函[2011]348號) dated June 28, 2011 and issued by the STA, the tax rate applicable to dividends paid to Non-PRC Resident Individual Holders of H Shares varies from 5.0% to 20.0%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the Non-PRC Resident Individual Holder of H Shares resides, as well as the tax arrangement between the PRC and Hong Kong. Non-PRC Resident Individual Holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20.0% withholding tax on dividends received from us. In addition, under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations, Non-PRC Resident Individual Holders of H Shares are subject to individual income tax at a rate of 20.0% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the STA on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax.

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) ("EIT Law") and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10.0% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company. This rate may be reduced under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides.

Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H-shares of the Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) promulgated by the STA on November 6, 2008, the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares will be 10% and we intend to withhold tax at 10.0% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval.

Despite the arrangements mentioned above, the interpretation and application of applicable PRC tax laws and regulations by the competent tax authorities shall be in accordance with the then effective laws and regulations, and new taxes may be imposed which may adversely affect the value of your [REDACTED] in our H Shares.

RISKS RELATING TO THE [REDACTED]

No public market currently exists for our H Shares. An active [REDACTED] market for our H Shares may not develop and the market price and trading volume of our H Shares may be volatile.

Following the completion of the [REDACTED], we cannot assure you that an active [REDACTED] market for our H Shares on the Stock Exchange will develop or be sustained. The [REDACTED] of our H Shares is the result of negotiations between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]), which may not be indicative of the price at which our H Shares will be [REDACTED] following the completion of the [REDACTED]. The market price of our H Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

Factors such as fluctuations in our revenue, earnings, cash flows, new investments, regulatory development, additions or departures of key personnel, or actions taken by competitors could cause the [REDACTED] of our H Shares or [REDACTED] of our H Shares to change substantially and unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may materially and adversely affect the prices of H Shares, and as a result [REDACTED] in our H Shares may incur substantial losses.

Future sales or perceived sales or conversion of significant amounts of our H Shares in the public market following the [REDACTED] could materially and adversely affect the price of our H Shares.

Prior to the [REDACTED], there has not been a public market for our H Shares. Future sales or perceived sales of significant amounts of our H Shares or conversion of the Unlisted Shares, if any, by specific Shareholders subject to certain regulatory requirements, after the [REDACTED] could result in a significant decrease in the prevailing market price of our H Shares. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our H Shares in the public market or the perception that these sales, or conversion of existing Unlisted Shares, if any, may occur could significantly decrease the prevailing [REDACTED] of our H Shares and our ability to raise equity capital in the future.

You will experience immediate and substantial dilution as a result of the [REDACTED] and may experience further dilution if we issue additional Shares or equity securities in the future.

The [REDACTED] of the H Shares is higher than the net tangible asset value per H Share immediately prior to the [REDACTED]. Therefore, purchasers of the H Shares in the [REDACTED] will experience an immediate dilution. In order to expand our business, we may consider [REDACTED] and issuing additional Shares in the future. Purchasers of the H Shares may experience dilution if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue Shares through the employee incentive platforms, which would further dilute Shareholders' interests in our Company.

There can be no assurance whether and when we will pay dividends in the future, and payment of dividends is subject to applicable PRC laws.

We cannot guarantee when and in what form dividends will be paid on our [REDACTED] following the [REDACTED]. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, such as our business and financial performance, capital and regulatory requirements and general business and operation conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

Investors should not place undue reliance on facts, forecasts, estimates and other statistics in this document relating to the economy and our industry obtained from official or other resources.

Facts, forecasts, estimates and other statistics in this document relating to the economy and the industry in which we operate our business on have been collected from materials from official government sources. While we have exercised reasonable care in compiling and reproducing such information and statistics derived from government publications, we cannot assure you nor make any representation as to the accuracy or completeness of such information.

The information and statistics from official government sources have not been independently verified by our Group, our Directors, the Joint Sponsors, [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED], and no representation is given as to its accuracy.

Neither we or any of our respective affiliates or advisors, nor the [REDACTED] or any of its affiliates or advisors, have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry derived from the official government sources used in this document may not be consistent with other information available from other sources.

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

Research reports published by securities or industry analysts about our business may influence the [REDACTED] of our H shares. If one or more analysts who cover us downgrade their evaluations of our H Shares, or if they issue reports with negative outlooks or misinformation regarding our operations, it could result in a material decline in the [REDACTED] of our H Shares. If one or more of these analysts cease coverage for us or fail to publish regular reports on us, we could lose visibility in the financial markets, which, in turn, could adversely affect the [REDACTED] or [REDACTED] volume of our H shares.

Forward-looking information contained in this document is subject to risks and uncertainties.

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate", "believe", "could", "going forward", "intend", "plan", "project", "seek", "expect", "may", "ought to", "should", "would" or "will" and similar expressions. You are cautioned that reliance on any forward-looking statement 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. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

You should read the entire Document carefully and should not place any reliance on any information contained in press articles or other media regarding the [REDACTED].

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this document, there has been press and media coverage regarding us. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.