
BUSINESS

OVERVIEW

Mission

Pioneer the global industrialization and commercialization of solid-state batteries.

Vision

Deliver green energy safely and efficiently across the globe.

Who We Are

We are a pioneer in the industrialization and commercialization of solid-state batteries, with advanced solid-state battery technology and strong capabilities in developing and delivering solid-state battery products. We focus on the development, manufacture and sales of solid-liquid hybrid and all-solid-state batteries for electric vehicle (EV) and energy storage system (ESS) applications. At a time when battery safety, reliability and performance are becoming increasingly critical to the energy transition and the broader electrification of transportation and industry, we are committed to building a robust solid-state battery ecosystem and delivering safer, more affordable and higher-performance battery solutions to customers worldwide, supporting the broader adoption of green energy, to alleviate the global energy and environmental crisis.

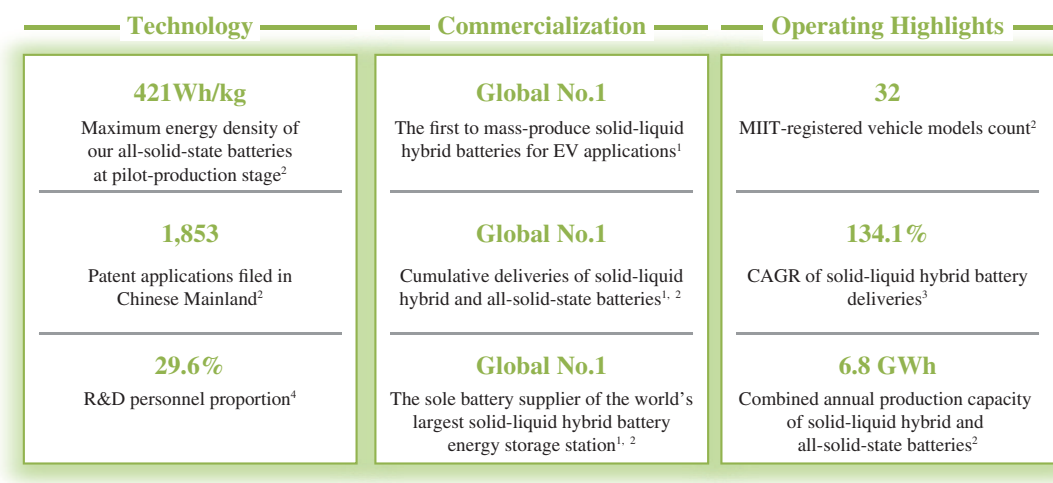
From a technology perspective, we have built solid R&D capabilities integrating materials, equipment and manufacturing processes, and have followed a clear and distinctive technological pathway promoting continuous innovation since our inception, to establish our technological superiority. Centered on organic-inorganic composite solid electrolytes, this pathway has provided a coherent route for us to advance from liquid batteries to solid-liquid hybrid batteries and, ultimately, to all-solid-state batteries. We believe this clear and commercially oriented development route has enabled us to align innovation with industrialization and translate technological progress into safe, efficient and competitive battery products and solutions for EV, ESS and emerging sectors.

From an industrialization and commercialization perspective, we were among the first companies globally to achieve mass production and vehicle integration of solid-liquid hybrid batteries, according to Frost & Sullivan. According to the same source, we were the world’s largest manufacturer of solid-liquid hybrid and all-solid-state batteries by shipment volume in 2025, and one of the representative pioneers in the industrialization of solid-state battery technology.

From an application perspective, we provide both EV batteries and ESS batteries, serving the electric vehicle and energy storage sectors, each of which presents significant growth opportunities. We also actively respond to demand for high-performance batteries from emerging sectors, which we see as an incremental source of growth.

BUSINESS

We have achieved the following technological and commercial milestones:

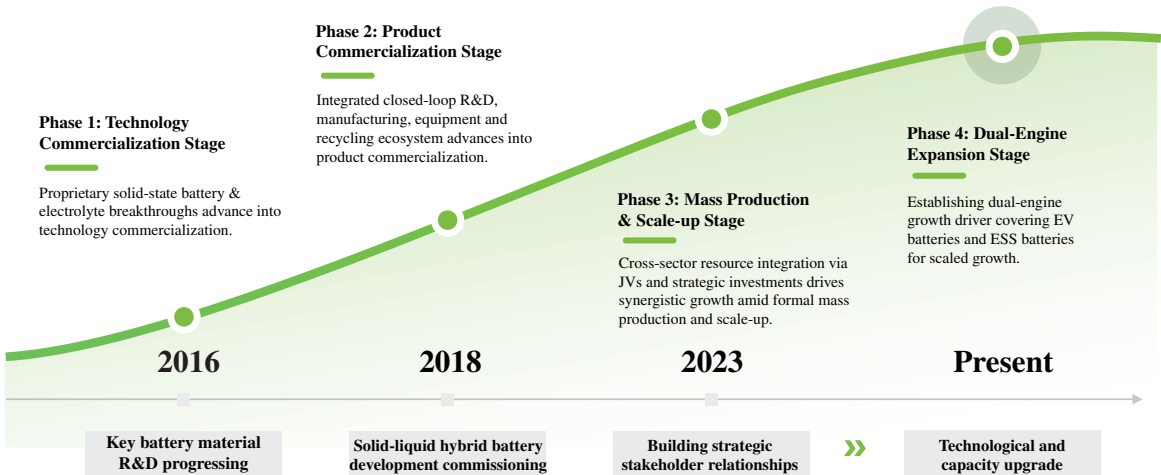


Notes:

- 1. According to Frost & Sullivan
- 2. As of Latest Practicable Date
- 3. From 2023 to 2025
- 4. As of December 31, 2025

Our Market Opportunity

According to Frost & Sullivan, EV battery demand has scaled alongside electric vehicle adoption and continues to grow as electrification deepens. ESS battery demand is expanding faster, driven by rising penetration of wind and solar power generation. In China alone, annual energy storage demand is projected to exceed approximately 3,000 GWh by 2035, according to Frost & Sullivan. At the same time, the rapid expansion of AI data centers is raising requirements for power reliability and operational stability, creating new applications for advanced battery technologies. Solid-state batteries are increasingly positioned to support continuous and stable operation of large-scale computing infrastructure. Emerging sectors are further elevating performance requirements for battery systems. Solid-state battery commercialization represents not merely an incremental technology upgrade, but a foundational enabler of the next generation of energy- and compute-intensive industries. According to Frost & Sullivan, the global solid-state battery market is projected to grow at a CAGR of 151.2% from 2026 to 2030, reaching 745.2 GWh by 2030.



BUSINESS

Successful Commercialization Track Record

To capture these expanding market opportunities described above, we have built commercialization capabilities that allow us to move our technologies efficiently from development into scaled market deployment.

Our commercialization capabilities span the full product cycle, from market demand analysis and product design to project execution, sales and after-sales support. By maintaining direct control over both R&D and manufacturing, we translate customer requirements into finalized product specifications within shortened development cycles and iterate products without delays between initial development and production. We have also developed capabilities across key stages of the value chain, including critical materials, core equipment, manufacturing and battery recycling. Close coordination between technology development and production allows laboratory advances, such as proprietary composite solid electrolytes and new cathode chemistries, to move efficiently into commercially scalable products.

Our commercialization progress is reflected in a series of industry milestones. According to Frost & Sullivan, we were among the first companies globally to achieve mass production of solid-liquid hybrid batteries. In addition, we were the first company globally to deploy solid-liquid hybrid batteries using manganese-based cathodes at scale, marking the application of our technology in real-world commercial use. These capabilities have enabled us to build a portfolio of solid-state battery products for EV and ESS applications and to address expanding market opportunities with products that are already in commercial deployment.

EV Batteries

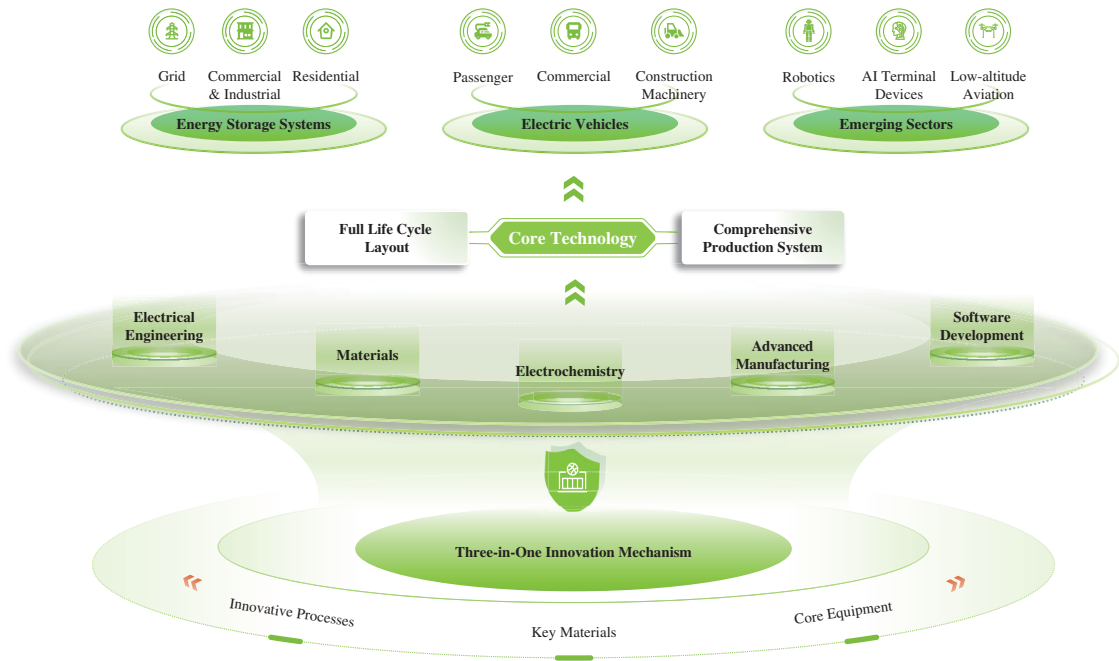
We develop our EV battery products by leveraging the manufacturing, quality management and supply chain capabilities accumulated through our ESS battery business. Our EV batteries are designed to meet key vehicle performance requirements, including safety, energy density, fast-charging capability, durability, broad temperature adaptability and platform compatibility, enabling reliable operation across diverse vehicle models and use environments. As of the Latest Practicable Date, we had delivered over 16,800 units of our solid-state battery products across more than 30 passenger and commercial vehicle models from well-known automotive OEM brands, such as IM Motors, Morris Garages (MG), and Foton. To support continued mass production, we have maintained deep, long-term strategic partnerships with automotive OEMs, which continue to enhance our R&D, product integration and manufacturing efficiency.

ESS Batteries

We are among the first companies globally to introduce solid-state battery technology into the ESS sector, according to Frost & Sullivan, with the core objective of enhancing the safety and overall performance of energy storage systems and serving markets with stringent safety requirements and high value-added potential across grid, industrial and commercial, as well as residential applications. Our ESS battery products offer key performance strengths including high safety, long cycle life, broad temperature adaptability and high charge-discharge efficiency. On the grid side, we are the sole battery supplier of the world’s largest solid-liquid hybrid battery energy storage station, located in Wuhai, Inner Mongolia, with a capacity of 800 MWh, demonstrating our ability to deliver large-scale commercial deployment. On the industrial and commercial side, we provide integrated energy storage and backup power systems for facilities requiring uninterrupted power supply, including data centers, financial institutions and healthcare facilities. In residential applications, we offer residential ESS battery products featuring long service life, ease of deployment and space efficiency, providing users with round-the-clock support for green residential electricity consumption.

BUSINESS

The following diagram illustrates our integrated technology and innovation framework, which supports the development, manufacturing and commercialization of our solid-state battery products across multiple applications:



As of the Latest Practicable Date, we operated five battery production bases in China with a combined annual production capacity of 6.8 GWh for solid-liquid hybrid and all-solid-state batteries, located in Kunshan (two bases), Jiangsu; Yichun, Jiangxi; Chengdu, Sichuan; and Taizhou, Zhejiang. In addition, we operate materials production facilities in Huai’an, Jiangsu and Wuhai, Inner Mongolia, and an equipment production facility in Huizhou, Guangdong. We plan to further expand our battery production capacity through a combination of self-built facilities and collaborations with strategic partners, as further described in “Future Plans and Use of [REDACTED].”

Robust Innovation and R&D Capabilities

Innovation underpins how we develop and compete. Over the years, we have consistently focused on achieving independent R&D breakthroughs and commercialization in core solid-state battery technologies through an integrated innovation pathway across key materials, advanced processes and core equipment. Leveraging the deep expertise of our core R&D and management teams, we have achieved industry-leading breakthroughs in solid electrolytes, new cathode materials and advanced processes, enhancing battery safety, energy density, cycle life and manufacturing efficiency and reinforcing our competitive position in solid-state battery technologies. We operate the Qingtao Research Institute as our dedicated internal R&D coordination center to further strengthen our R&D efforts for proprietary solid-state battery technologies.

Our R&D center covers key disciplines including materials, electrochemistry, electrical engineering, advanced manufacturing and software development, supported by a full-stack R&D team. As of December 31, 2025, we employed 610 R&D personnel, including 22 PhDs and 281 master’s degree holders, with a significant portion of our core technical staff graduating from Tsinghua University. This concentration of engineering talent supports our ability to execute complex solid-state battery development at scale.

BUSINESS

As of the Latest Practicable Date, we had filed 1,853 patent applications in China, comprising 804 invention patents, 1,040 utility model patents, and 9 design patents, and has been granted 1,037 patents domestically. Our research and development expenses were RMB142.0 million, RMB295.6 million and RMB376.9 million in 2023, 2024 and 2025, respectively, representing 57.2%, 72.9% and 40.0% of our total revenue for the corresponding years. According to Frost & Sullivan, we hold one of the industry’s broadest patent portfolios in solid-state battery technologies.

Strategic Stakeholder Relationships and Market Integration

The industrialization and commercialization of solid-state batteries require a high degree of coordination across the value chain. Compared with conventional battery products, solid-state batteries typically involve longer development and validation cycles, more complex technical integration and closer alignment among materials development, manufacturing processes, equipment capabilities and end-use requirements. As a result, successful commercialization depends not only on technological progress but also on the ability to work closely with stakeholders across the value chain.

Our development is supported by strategic relationships across the solid-state battery value chain. These relationships extend beyond traditional customer supply arrangements to include joint technical development, coordinated product integration, project-level collaboration and participation in industry standard discussions related to solid-state batteries. Through this broader stakeholder network, we work alongside key participants that contribute to the commercialization of solid-state batteries.

Integrating a new battery technology into an automotive OEM’s vehicle platform is a lengthy and technically demanding process. We have therefore focused on building deep strategic relationships with automotive OEMs as a core part of our commercialization strategy. In the EV battery sector, we leverage our automotive OEM customers’ established capabilities in vehicle platform development, large-scale manufacturing, supply chain management and global distribution to accelerate the commercialization of our solid-liquid hybrid and all-solid-state battery products. Three of China’s top ten automotive OEM groups, including SAIC Group, BAIC Group, and GAC Group, are our strategic shareholders, reflecting their recognition of our long-term technology value, commercialization potential and strategic importance within the evolving EV battery value chain.

Our engineering teams collaborate with automotive OEMs’ vehicle development teams throughout the vehicle design process, enabling our battery systems to evolve together with vehicle architecture. This close integration allows us to align our capacity deployment and cost structure with automotive OEMs’ production planning and supply chain requirements, improving deployment efficiency and optimizing our cost structure over time. As of the Latest Practicable Date, our products have been integrated with multiple passenger and commercial vehicle brands under major automotive OEMs, including SAIC Group and BAIC Group.

We selectively deepen long-term partnerships through joint investment. For example, we formed a joint venture with HASCO, a global automotive components supplier, enabling joint product development, coordinated manufacturing planning and collaboration on customer programs, further strengthening resource integration across the value chain.

In the ESS battery sector, rising demand for grid-scale and distributed energy storage, driven by the accelerating deployment of renewable energy and growing pressure on grid stability, has created substantial market opportunities both in China and internationally. We are now expanding our international customer base, which will contribute to a higher-margin revenue mix and supports overall profitability. In grid-scale storage projects, the project acquisition is characterized by discontinuity and uncertainty, therefore we coordinate closely with project investors, EPC contractors, power conversion system (PCS) suppliers and suppliers of auxiliary materials and components through strategic alliances

BUSINESS

to pursue business opportunities and facilitate coordinated project delivery. In residential storage, customers can source both battery cells and complete storage systems directly from us, reducing supplier coordination.

Our execution capabilities are further reflected in customer recognition. In 2025, we received multiple supplier awards, including the Annual Technology Leadership Award from Foton, the Technical Enlightenment — Innovation Award from BAIC Foton Cavan, and the Outstanding Supplier — Synchronized Development Award from SAIC Group passenger vehicle division.

Our Commitments to ESG

Sustainability considerations are integrated into our operations and management processes. We are committed to playing a critical role in advancing the global energy transition, reducing carbon emissions and supporting the development of green mobility systems. Through our systematic Environmental, Social and Governance (ESG) practices, we seek to create sustainable value for our stakeholders, including investors, government authorities, customers, suppliers and employees. We have embedded low-carbon and green manufacturing across our production processes through process upgrades and resource management. We have also established an effective group-wide ESG governance and implementation framework. Specifically:

From an environmental perspective, we develop solid-state batteries with higher energy density and longer cycle life, reducing material use. Our manufacturing processes incorporate dry electrode processing technologies that reduce solvent use, energy consumption and emissions, supported by energy-efficiency and waste-management programs across our facilities. We are also advancing battery recycling efforts, including the recycling and reuse of battery materials and the establishment of systems to support the responsible handling and recovery of batteries. In addition, we are actively advancing energy conservation, emissions reduction and the development of green manufacturing systems across our production bases, while systematically optimizing energy use and waste management throughout our production processes.

On the social side, we promote responsible supply chain practices, comply with applicable labor regulations and prioritize employee safety, welfare and training. We also actively participate in industry standard-setting and the development of an open innovative ecosystem, promoting coordinated progress across the industry.

From a governance perspective, ESG oversight forms part of our broader risk management framework, supported by formal reporting and board-level supervision.

For more information, see “— Environmental, Social and Governance.”

OUR STRENGTHS

The Pioneer in Advancing the Industrialization and Commercialization of Solid-State Battery Technologies

We are the pioneer in the industrialization and commercialization of solid-state battery technologies. Since our inception, we have focused on converting solid-state battery technologies from laboratory research into commercially deployable products. Through internally developed technologies, we have advanced the adoption of solid-state batteries across both EV and ESS markets, markets that require high standards of safety, performance and operational reliability.

BUSINESS

Our progress reflects a steady expansion from early production scale-up to broad commercial deployment, beginning with solid-liquid hybrid batteries and advancing toward all-solid-state batteries. We established one of the world’s earliest commercial production lines for solid-liquid hybrid ESS batteries in 2018, and expanded into EV applications by 2020, according to Frost & Sullivan. In 2021, together with SAIC Group, we completed vehicle validation of an ultra-high energy density solid-state battery, achieving a driving range of 1,083 km. As of the Latest Practicable Date, we had become the first company globally to achieve cumulative deliveries of solid-liquid hybrid batteries for more than 10,000 EVs. Our all-solid-state batteries began pilot production in 2025, and prototype vehicles equipped with our all-solid-state batteries were completed in March 2026.

Our early commercialization timeline and accumulated deployment experience have allowed us to develop manufacturing know-how, customer integration capabilities and operational scale ahead of broader industry adoption. These capabilities position us to capture opportunities arising from the continued growth of new energy vehicles and energy storage markets as solid-state battery technologies move toward wider commercialization.

Innovations Across Materials, Processes and Equipment Strengthening Our Technology Moat

We integrate materials innovation, manufacturing processes and proprietary equipment development to move solid-state battery technologies efficiently from research into commercial production. This vertically integrated model allows us to control critical technologies, accelerate product iteration and scale manufacturing with consistency and cost discipline, reinforcing our competitive position in solid-state batteries.

Materials innovation drives performance, cost efficiency and scalability. We have chosen a distinctive organic-inorganic composite solid electrolyte technology path, which is compatible with cathode and anode materials that conventional liquid electrolytes cannot effectively support. On that basis, we focus our innovation on core battery materials, including solid electrolytes and next-generation cathode and anode materials, to improve performance, reduce cost and support scale-up. For example, we have developed a proprietary SHO solid electrolyte with high lithium-ion conductivity and superior stability. Based on our calculations using publicly available research data, it offers higher room-temperature ionic conductivity than liquid electrolytes, as well as superior reduction stability and humidity stability, at a unit cost that is approximately one-tenth that of $\text{Li}_6\text{PS}_5\text{Cl}$, a commonly used sulfide-based solid electrolyte. We have incorporated this material into our all-solid-state batteries to improve both safety and electrochemical performance. We have also developed high-voltage manganese-based cathode materials that, while incompatible with liquid electrolytes, are well-suited for use in solid-state batteries, including lithium manganate (LMO), lithium nickel manganese oxide (LNMO) and lithium-rich manganese-based cathodes (LRM). These cathodes can be applied in solid-state batteries to improve safety, cycle life, power performance and low-temperature performance with lower costs. These efforts support broader and more scalable adoption across both EV and ESS applications.

Process innovation supports scalable manufacturing and battery performance. We develop proprietary manufacturing processes designed to enable the mass production of solid-state batteries. We have developed in-house core processes, such as interface integration, direct forming of solid electrolyte layers and dry electrode process, with a focus on scalable manufacturing and superior battery performance. According to Frost & Sullivan, our mass-produced solid-liquid hybrid battery products have achieved yields exceeding 94%, placing us among the top performers in the industry. To accommodate higher-energy-density battery materials, we have developed a range of proprietary process technologies in-house, covering how cathode and anode materials are structured, how cells are

BUSINESS

assembled and how material degradation is managed over the battery’s operating life. These process innovations provide a solid technical foundation for the continued improvement of energy density, cycle life and safety performance.

Proprietary manufacturing equipment enhances production control and scalability. We internally develop key manufacturing equipment across critical battery production processes, allowing us to improve production precision, efficiency and consistency while reducing reliance on third-party suppliers. For example, we have developed precision equipment to improve the uniformity of cathode sheets, which is key to battery performance and production consistency. We have independently developed transfer printing equipment that supports high-speed, continuous forming of solid electrolytes. We have also co-developed equipment with our strategic business partners automation equipment for critical dry-mixing, a key process that affects electrode structure and electrical performance.

Robust Engineering Capabilities Accelerating Commercial Deployments

We have built an integrated operational system that connects order planning, inventory management, production execution and logistics into a single digitally managed workflow. This allows us to run manufacturing with high visibility and control, improving efficiency, product consistency and cost discipline as production scales. Currently, we have achieved real-time data monitoring throughout the entire process, from order intake, raw material warehousing, unpacking and precise workstation delivery to production execution and quality inspection. In addition, our engineering execution capabilities support the rapid deployment of new production lines. For example, in Taizhou, Zhejiang, we completed equipment installation, commissioning, and start-up of a 3.1 GWh annual capacity production line in less than 60 days in early 2026 — a pace faster than the industry average, according to Frost & Sullivan — demonstrating our ability to bring new capacity online efficiently.

Additionally, our production lines are designed with built-in flexibility, allowing rapid switching between product types without major modification. This flexibility allows us to support product validation, new product introductions and customer-specific requirements without significant production disruption. Flexible manufacturing also improves resource utilization and strengthens our ability to iterate products quickly and respond to evolving customer demand.

Deep Customer Integration Driving Commercial Adoption

Our strong execution track record has enabled close integration with customers and industry partners across both EV and ESS battery markets, allowing us to develop products directly around commercial deployment needs and scale adoption more efficiently.

In the EV battery sector, we work closely with automotive OEMs during vehicle development, allowing our battery products to be integrated into vehicle platforms from an early stage. This collaboration model also accelerates commercialization and supports replicable customer expansion. To date, our batteries have been installed in multiple vehicle models, including one of SAIC Group’s key models, MG4. Specifically, in the commercial vehicle sector, our jointly developed battery with Foton Cavan entered mass production in 2025 and is adopted across multiple vehicle brands, including Foton’s Toano and Forland, SAIC Group’s Yuejin, and Iveco, supporting broader commercial deployment.

In the ESS battery sector, our close collaboration with domestic customers has supported the delivery and grid connection of large-scale benchmark projects. These projects reflect our ability to support customers across project design, deployment and operation, which strengthens long-term commercial relationships and lays the groundwork for repeat deployments. These customer relationships also support our market expansion, contribute to recurring revenue opportunities and validate the scalability of our collaboration model across different markets. Outside China, we seek to expand

BUSINESS

through partnerships with local participants in selected high-value markets, where project gross margins are generally more attractive. We also offer residential ESS products based on our solid-liquid hybrid battery technology and standardized modules, and are pursuing opportunities to expand further into emerging markets.

Experienced and Visionary Leadership Team with a Clear Commercialization Strategy

Our management team is led by key executives including Dr. Feng Yuchuan, Dr. Li Zheng and Dr. He Hongcai, who are supported by a broader team combining deep expertise in battery technology, industrial operations and commercialization with hands-on experience in scaling technologies into commercially viable products. Additionally, the long-term collaboration among core team members has supported consistent strategic direction and disciplined execution as we progress from technology development to large-scale deployment.

Our management team has focused on turning technical progress into scalable manufacturing and commercial adoption. Guided by an engineering-driven mindset and the business objective of achieving large-scale mass production with controllable costs, our management team has effectively connected technological breakthroughs with market demand. Based on their keen insight into industry trends, our management team has formulated a clear phased development strategy and has also enhanced our manufacturing capabilities and attracted manufacturing talent through strategic acquisitions. At the same time, we have continued to attract and develop talent with strong engineering, execution and customer development capabilities, further strengthening our ability to industrialize our technologies, expand customer relationships and support large-scale deployment. Under their leadership, we have expanded production capabilities through selective investments, acquisitions and team building while aligning product development closely with customer programs. These efforts have supported our progression from early-stage research to commercial production and growing market deployment of solid-state battery technologies.

OUR STRATEGIES

We plan to execute the following development strategies:

Continue to Invest in R&D to Ensure a Leading Position in Technology

We will continue to invest in research and development to ensure a leading position in technology and to improve the performance and manufacturability of our solid-liquid hybrid and all-solid-state batteries through innovations of materials, processes and system integration. At the materials level, we are advancing new cathodes specifically for solid-state batteries, solid electrolytes and anode-free designs to improve safety and key performance metrics, including cycle life, energy density, power output and low-temperature performance. In process innovation, we are advancing key manufacturing technologies while also developing core equipment and validating it on our own production lines. At the system integration level, we are developing new integration solutions for all-solid-state batteries and addressing engineering challenges, including low-temperature performance and pressure uniformity within cells, through system-level optimization. Through the R&D initiatives and other innovation activities, we aim to build a proprietary technology base that reinforces our competitive position and sustains our leadership in the solid-state battery industry.

To support the effective conduct of our R&D activities, we are committed to building an R&D team that combines fundamental research capability with industrialization and scale-up experience. We attract and retain talent across interdisciplinary fields, including material sciences, equipment engineering, process engineering and electrochemical science, through performance-based incentive

BUSINESS

schemes, and promote cross-functional knowledge sharing within our R&D organization to accelerate the translation of research outcomes into scalable production solutions, thereby sustaining our competitive advantages in the solid-state battery industry.

In addition, we will continue to deepen our strategic cooperation with universities and research institutions, with a focus on joint research into frontier topics. We also intend to establish deeper strategic cooperation with more Automotive OEMs in the R&D field, realizing integrated collaborative innovation across industry, research and application.

Expand Solid-liquid Hybrid Battery Production Capacity

We believe battery demand is shifting toward higher safety, improved performance and lower cost. Over the near to medium term, solid-liquid hybrid batteries provide a practical upgrade path which combines improved safety and energy density with cost competitiveness. To capture this opportunity, we plan to expand our solid-liquid hybrid production capacity. We intend to build new production bases in China and expand our existing ones, targeting a total production capacity of 98.2 GWh by 2030. We plan to expand our production capacity through a combination of self-built manufacturing facilities, joint development of production facilities with partners, and engagement of contract manufacturing partners, while continuing to improve our capacity utilization.

Reduce Production Cost Through Materials Innovation, Supply Chain Optimization and Scaled Manufacturing

We intend to continue reducing the production cost as a core part of our commercialization strategy. We plan to leverage our materials technologies and battery architecture to further develop and apply materials with attractive cost-performance profiles, particularly manganese-based cathode materials and, for next-generation products, lithium-metal-based material systems. We intend to lower unit cost by increasing procurement volumes for key raw materials with volume-based discount, improving yield on our transfer-printing and cell assembly lines, reducing raw material consumption per conforming unit, and transitioning projects from pre-commercial and ramp-up phases to mass production. As our production scale increases and our manufacturing processes continue to mature, we expect to further improve cost efficiency and strengthen the commercial attractiveness of our battery products. For more information about our efforts to reduce costs, see “ — Business Sustainability and Path to Profitability.”

Advance All-Solid-State Battery Commercialization

All-solid-state batteries are a core focus of our long-term strategy. As solid-liquid hybrid batteries are already in mass production, we are leveraging existing manufacturing experience, processes and supply chain capabilities to accelerate commercialization of all-solid-state products.

Our technology roadmap centers on organic-inorganic composite solid electrolytes. Building on the proven architecture of solid-liquid hybrid batteries, we continue to optimize and upgrade dry electrode processing and transfer-printing technologies and advance the industrial development of dedicated equipment for solid-state batteries. We have completed prototype vehicle testing for our all-solid-state batteries, and more prototype vehicles are expected to roll off the production line in the near term, laying a solid foundation for the mass production of all-solid-state batteries.

Expand Customer Base and Increase Market Share

EV batteries are one of our near-term commercialization priorities. Building on our early commercialization with leading domestic automotive OEMs, including SAIC Group, we seek to expand adoption across additional vehicle models and broaden our customer base across both passenger and commercial vehicle segments. For passenger vehicles, we aim to leverage the power and low-

BUSINESS

temperature performance advantages of our solid-liquid hybrid batteries to support wider deployment across models and operating environments. For commercial vehicles, we focus on cost-effective mass production applications, particularly in heavy-duty trucks, where electrification remains at an early stage and demand for higher energy density and durability is increasing. Through deeper integration with existing automotive OEM customers and selective expansion to new customers, we aim to increase shipment scale over time and strengthen our position as a scalable and reliable battery supplier.

We will also continue to grow our ESS battery business by pursuing high-quality projects where solid-liquid hybrid batteries offer clear advantages. We will focus on large-scale, high-quality energy storage projects and seek early deployment opportunities in key scenarios such as mega-city power grids, data centers and other emergency systems, while also actively broaden adoption in residential and other safety-critical applications. We will also prioritize expansion in high-potential regions, such as the Yangtze River Delta and the Chengdu-Chongqing Region.

We are also expanding applications of our battery products into emerging sectors, such as AI terminal devices, robotics, and low-altitude aviation, where demanding safety and energy density requirements are well aligned with the core strengths of our battery technologies. We maintain cooperative relationships with a number of leading companies in these sectors and are advancing technology development and designated collaboration projects.

Drive International Expansion and Localized Execution

We view international expansion as a core component of our long-term growth strategy and plan to pursue it through multiple channels across both our EV battery and ESS battery businesses.

For our EV battery business, we plan to support the international expansion of Chinese automotive OEMs with whom we already have established relationships, while also pursuing opportunities with overseas automotive OEMs directly. Leveraging our deep cooperation with automotive OEMs, we believe our solid-liquid hybrid batteries, with strong low-temperature performance, power capability and safety profile, are well suited for overseas markets. We believe these product strengths position us to support automotive OEMs in improving the competitiveness and premium positioning of their vehicle offerings in international markets. We are also actively engaging with established international automotive OEMs regarding potential cooperation opportunities, including for higher-end vehicle models in China and broader battery product deployment in overseas markets.

For our ESS battery business, we plan to expand our overseas presence by broadening product deployment, strengthening sales and service capabilities through local partners, and advancing required certifications in key markets. Our initial focus is on residential energy storage systems, where we believe our products can offer safe and cost-effective solutions tailored to household energy storage needs. Over time, we also plan to expand into containerized energy storage applications for industrial and commercial uses, as well as grid-side applications. We are also advancing overseas compliance, certification and local standards alignment for our ESS battery products to expand our international sales presence and increase our share of the global energy storage market.

In March 2026, we entered into a strategic cooperation agreement with TÜV Rheinland, a globally recognized testing and certification organization, to advance collaboration on solid-state batteries and key materials, including compliance, certification, standard development and global market access, which we believe will further support our international expansion and overseas commercialization efforts.

BUSINESS

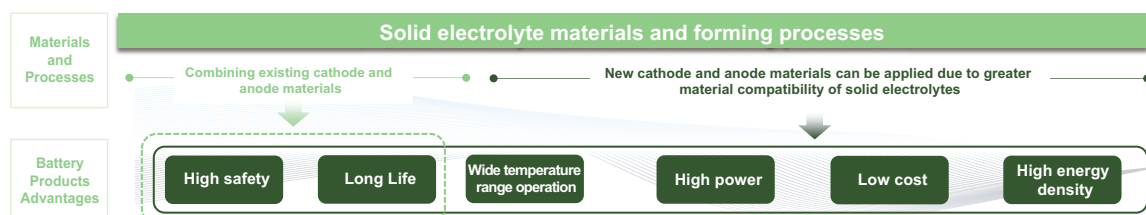
Enhance ESG Capabilities to Support Sustainable Growth

We are committed to green and sustainable development throughout our production and operating processes. We strictly comply with applicable environmental laws and regulations and seek to ensure that our production processes meet relevant environmental emission standards, thereby fulfilling our social responsibilities and advancing our ESG goals. We have established dedicated functions for ESG and carbon footprint management, expanded into the battery recycling space and built an integrated value chain spanning materials, equipment, batteries and recycling, which promotes efficient resource circulation and helps reduce raw material costs.

We also seek to build a more efficient and sustainable production system through collaboration and continuous improvement. We plan to further enhance the safety and sustainability of our battery products across their lifecycle through management upgrades and system optimization, while improving energy efficiency and supporting the broader adoption of green energy solutions across industries.

OUR DIFFERENTIATED TECHNOLOGICAL PATHWAY

A fundamental challenge facing the solid-liquid hybrid and all-solid-state battery industry arises from the inherent physical and chemical properties of solid electrolytes, including sulfide-, oxide-, polymer- and halide-based materials. While each offers advantages in certain respects, none is able to deliver the full range of performance characteristics required for large-scale commercial application. We therefore pursue a composite electrolyte architecture that combines complementary material properties to achieve simultaneously ionic conductivity, interfacial stability, manufacturability, durability and cost efficiency at scale. More specifically, we focus on the development of organic-inorganic composite solid electrolytes and related forming processes to support the safety and cycle life of solid-liquid hybrid and all-solid-state batteries, while enabling compatibility with a broader range of next-generation cathode and anode materials. This approach also helps unlock key performance advantages, including high power output, high energy density, strong low-temperature performance and lower cost.



Our composite solid electrolytes architecture combines an organic polymer matrix with inorganic solid electrolyte particles, such as oxide- or halide-based nanoparticles, to improve ion transport and mechanical stability. We are one of the very few solid-state battery companies to have achieved tangible commercial deployment using organic-inorganic composite solid electrolytes in our battery architecture, according to Frost & Sullivan. We believe such pathway is a fast and commercially viable technology route that allows us to develop and commercialize solid-liquid hybrid batteries and all-solid-state batteries concurrently.

Since our founding, we have pursued this technological pathway with a strong focus on both innovation and industrialization. Over time, we have developed, and continue to expand, a substantial patent portfolio and deep technical know-how in inorganic solid electrolytes, polymer matrices, and organic-inorganic composite solid electrolytes, as well as specialized electrode materials that are compatible with solid electrolytes but not conventional liquid electrolyte systems. We believe these capabilities provide the foundation for our battery technologies, spanning our current solid-liquid hybrid batteries and our next-generation all-solid-state batteries.

BUSINESS

With respect to specialized electrode materials for solid-state batteries, a key focus of our development efforts is manganese-based cathode materials, including LMO, LNMO and LRM. One of the principal challenges associated with manganese-based cathodes is performance degradation caused by manganese dissolution during charge and discharge cycles. Leveraging our materials engineering capabilities, we have mitigated this challenge and improved battery life. As a result, we are able to capture the core advantages of manganese-based chemistries, including strong low-temperature performance, high power capability, high energy density and lower cost, without materially compromising durability. We also develop other cathode and anode materials, including LFMP cathodes and lithium-metal-based anodes, to support a range of battery designs and performance objectives.

Our unique technological pathway provides us with distinct advantages in the development and industrialization of solid-state batteries:

- **Better solid-solid interfacial contact:** Our organic-inorganic composite solid electrolytes help maintain stable contact with electrodes during cycling, reducing interfacial resistance as electrode volumes change. This also allows our all-solid-state batteries to operate without the high external pressure required by some other solid-state systems.
- **More Efficient ion transport:** By combining polymers with inorganic fillers, we improve room-temperature ionic conductivity relative to pure polymer electrolytes. This supports stronger charge and discharge performance while avoiding the processing challenges of purely inorganic systems.
- **High stability enabling superior safety performance:** Our electrolytes remain stable in air and do not generate toxic gases when exposed to oxygen or moisture. They also performs reliably under high-temperature and abuse-test conditions.
- **Broad material compatibility:** Our electrolyte system are compatible with a wide range of cathode and anode materials and supports operation at up to 4.8V. This gives us flexibility to optimize energy density, cycle life and cost across different applications, with demonstrated energy densities of more than 400Wh/kg and up to 530Wh/kg in selected configurations.
- **Combining cost structure and production scalability:** Our pathway is compatible with certain existing conventional lithium-ion production processes and equipment, which supports more efficient scale-up. It also does not require the expensive specialized facilities and high-pressure equipment used in sulfide-based production.

Building on these technical advantages, we have been developing a broad portfolio of solid-state battery products designed to deliver compelling performance, including enhanced safety, longer cycle life, higher energy density, stronger power performance, and improved low-temperature performance, while also lowering manufacturing cost.

Solid-liquid Hybrid Batteries and All-solid-state Batteries

Based on differences in electrolyte composition and cell architecture, our battery products can be categorized into two main categories: **solid-liquid hybrid batteries** and **all-solid-state batteries**. A battery is classified as a solid-liquid hybrid battery when solid electrolytes account for more than 10% of the total electrolyte by mass and play a practical role in ion conduction and safety, while all-solid-state battery refers to a type of battery in which the entire electrolyte system is composed solely of solid electrolytes. These two battery technologies are expected to coexist for the foreseeable future, each serving different applications based on their performance profiles and cost positions.

BUSINESS

Solid-liquid hybrid batteries

Solid-liquid hybrid batteries combine solid electrolyte materials with a limited proportion of liquid electrolyte within battery cells.

Compared with conventional liquid lithium-ion batteries, solid-liquid hybrid batteries improve thermal stability and structural integrity while reducing safety risks associated with liquid electrolytes. In our products, inorganic oxide solid electrolytes such as LLZO and LATP are combined with polymer matrices and integrated with cathode materials through continuous coating processes, helping suppress lithium dendrite growth and improve safety.

Solid-liquid hybrid batteries can be produced using modified conventional lithium-ion production processes. Because they can be integrated into existing coating, assembly and cell manufacturing workflows with limited changes, they are more suitable for industrial-scale production than all-solid-state batteries that require entirely new manufacturing processes.

All-solid-state batteries

All-solid-state batteries use solid materials as the electrolyte and ion-conducting medium, replacing the liquid electrolytes used in conventional lithium-ion batteries. This architecture is designed to improve safety, energy density, thermal stability and durability.

We have developed capabilities in the development and scalable production of next-generation inorganic solid electrolytes, including halide-based systems and SHO systems, and combine them with highly stable polymer matrices to form organic-inorganic composite solid electrolytes. This is intended to retain the high ionic conductivity of inorganic electrolytes while maintaining the manufacturing compatibility and interfacial stability characteristic of polymer-based systems. On the cathode side, we have focused on manganese-based materials, and have developed solutions to address cycling challenges associated with manganese dissolution, enabling improved safety, low-temperature performance and cost efficiency.

We have also developed an all-solid-state battery platform based on organic-inorganic composite solid electrolytes, manganese-based composite cathodes and lithium-metal composite anodes that comply with national standards. Using this system, we have produced 15 Ah all-solid-state battery cells with an energy density of 401.5 Wh/kg and 84% capacity retention after 1,000 cycles, and have also developed key manufacturing technologies and dedicated equipment to support scalable production.

Over the long term, we believe all-solid-state batteries represent a key direction for the next generation of EV and ESS batteries, and are developing scalable, commercially viable all-solid-state battery products for EV and ESS applications, as well as emerging sectors, such as AI terminal devices, robotics and low-altitude aviation. As of the Latest Practicable Date, we have commissioned a 0.1 GWh pilot production line in Kunshan, Jiangsu, completed pilot-scale batch production of cells exceeding 60 Ah, and deployed these cells in prototype vehicle testing.

OUR PRODUCT PORTFOLIO

During the Track Record Period, our revenue is primarily generated from the sale of EV and ESS battery products. We also derive some portion of revenue from the sale of automation equipment used in battery production and recycling activities.

BUSINESS

The following table sets forth our revenue by product type for the years indicated, and as a percentage of total revenue.

	Years ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
(in thousands, except for percentages)						
EV battery products	6,339	2.6	11,619	2.9	236,547	25.1
ESS battery products	92,313	37.2	258,360	63.7	592,072	62.8
Automation equipment	114,042	45.9	114,955	28.4	77,234	8.2
Others	35,539	14.3	20,412	5.0	37,144	3.9
Total	248,233	100.0	405,346	100.0	942,997	100.0

The following table sets forth our sales volumes and average selling prices (net of tax) (“ASP”) by product type for the years indicated.

	Years Ended December 31,					
	2023		2024		2025	
	Sales Volume (GWh)	ASP (RMB per Wh)	Sales Volume (GWh)	ASP (RMB per Wh)	Sales Volume (GWh)	ASP (RMB per Wh)
EV battery products	0.01	0.56	0.02	0.60	0.78	0.31 ⁽¹⁾
ESS battery products	0.13	0.70	0.48	0.54	1.17	0.51 ⁽²⁾

Notes:

- (1) The ASP for EV battery products in 2025 primarily represents the selling price of individual battery cells.
- (2) The ASP for ESS battery products in 2025 primarily represents the selling price of battery packs with integrated control systems.

During the Track Record Period, the sales volume and ASP of our EV battery products were primarily driven by the commercialization stage of our EV battery business and changes in product mix. In 2023 and 2024, our EV battery products were primarily in the pre-commercial phase, with deliveries consisting mainly of small-batch shipments for vehicle testing, validation and supplier qualification, limited in volume but involving more customization, resulting in a relatively higher ASP. Beginning in 2025, we started supplying EV battery products in larger volumes to leading automotive OEMs. The ASP per Wh decreased from RMB0.60 in 2024 to RMB0.31 in 2025, primarily because a significant proportion of our 2025 deliveries were made to two leading automotive OEMs at market-based bulk pricing, reflecting volume-based commercial terms, as opposed to the higher per-unit pricing associated with our precommercial phase deliveries. As deliveries transitioned to larger-scale commercial supply, shipment volumes increased while ASP decreased in line with prevailing market pricing.

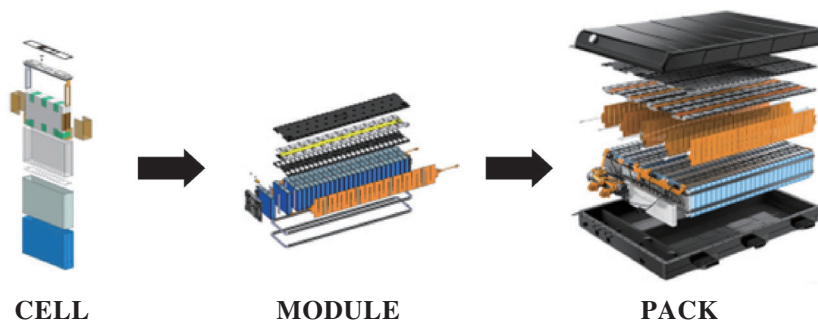
During the Track Record Period, the sales volume and ASP of our ESS battery products were primarily affected by industry pricing trends, changes in customer mix, the price trend of raw materials and the scale of our deliveries. During the same period, prices of key upstream battery materials, including lithium compounds, declined across the industry. At the same time, competition in the ESS battery market intensified. Our shipment volumes of ESS battery products increased during the Track Record Period as we expanded relationships with system integrators and large project developers. For additional information about our plans to enhance the cost structure of our battery products, see “— Business Sustainability and Path to Profitability.”

BUSINESS

EV Battery Products

Our EV battery business is built on our proprietary battery technologies that enable the development of batteries with high safety, long cycle life, high energy density, strong power performance, reliable low-temperature performance and cost competitiveness, for use in both electric and hybrid vehicles.

During the Track Record Period, our EV battery products consisted of solid-liquid hybrid batteries offered in three formats, designed to meet diverse vehicle integration and customer needs: individual **cells**, sold directly to automotive OEMs that assemble their own modules and packs; **modules**, which combine multiple cells into a single unit, for customers who integrate the modules into their own pack designs; and **packs**, which integrate modules with cooling, structural and control components, providing a ready-to-install system for customers seeking a fully assembled solution for their vehicles.



The hybrid architecture of our solid-liquid hybrid batteries delivers higher energy density, longer operating life, and improved safety performance compared with traditional lithium-ion solutions. Our EV batteries are particularly suited for practical vehicle applications, supporting fast charging, stable performance over extended use, and longer driving range.

BUSINESS

Our EV batteries are offered in multiple models, each tailored to different vehicle integration needs. The table below summarizes the technical specifications and typical applications of each model:

	EV battery model 1	EV battery model 2	EV battery model 3	EV battery model 4
Product figure				
Key features	High energy density: 285 Wh/kg Low-temp & power performance: Capacity retention of over 94% at -20°C @ 1C discharge; Supports 2C fast charging; Cycle life: over 1,600 cycles at 80% capacity retention	Wide temperature range operation: Excellent high-temp cycle life & low-temp performance: Over 4,500 cycles at 70% capacity retention at 45°C; Capacity retention rate exceeding 85% at -40°C @ 1C discharge.	All-climate performance: Capacity retention of over 99% at -40°C @ 1C discharge; High power response: Discharge power over 100% higher than LFP cells at -20°C across 25% to 100% SOC range.	Superior power performance: Peak discharge rate of over 17C at 25°C; Capacity retention of over 97% @ 3C constant current discharge; Excellent low-temp performance: Capacity retention of over 92% at -20°C @ 0.33C discharge; Cold cranking power capability of over 110W at -30°C.
Applications	Installed in IM L6 Lightyear Edition, supporting a driving range of over 1,000 km on a single charge, and extended 400 km driving range after 12 min charging.	Designed for commercial EVs, supporting capability of operating under air-cooled conditions with improved system integration efficiency and reliability	Fast response and strong low-temp performance expand the applicability of passenger EVs across colder regions	Outstanding power and low-temp performance during entire SOC, energizing PHEV or EREV

Building on the established foundation of our solid-liquid hybrid EV batteries, we have advanced beyond laboratory validation and pilot production to establish production capacity for all-solid-state batteries, which we are scaling in anticipation of market demand. We expect solid-liquid hybrid batteries and all-solid-state batteries to coexist for the foreseeable future, depending on application requirements and cost considerations. Accordingly, we plan to continue to manufacture and commercialize both types of batteries to address different market needs and customer demands.

Technical and Performance Metrics

Our EV batteries are engineered to meet the key performance requirements of electric vehicles, including driving range, charging speed, durability, temperature stability, and safety. Our portfolio of EV batteries excels in various dimensions of battery performance.

- **Superior Safety.** Leveraging advanced materials and solid-state technologies, our batteries are more resistant to overheating, leakage and other hazards than conventional batteries. Enhanced safety reduces the risk of thermal runaway and other failures, providing a high level of safety assurance to both automotive OEMs and end users and supporting broader adoption in high-value applications.

BUSINESS

- **Outstanding low-temperature performance.** We offer EV batteries designed to operate reliably across a wide temperature range, from -40°C to 65°C . Certain of our batteries maintained capacity retention of over 99% at -40°C under 1C discharge. In passenger vehicle applications, our batteries achieved driving range retention of 75% under -7°C warm-up conditions, exceeding the industry average by approximately 20 percentage points. This performance enhances vehicle usability and broadens the commercial applicability of our batteries across diverse geographic markets and customer groups.
- **High energy density.** Our batteries are designed to deliver high energy density, enabling greater energy storage relative to size and weight. This supports longer driving ranges, which remain a key performance requirement for EVs. The battery packs of our EV battery model 1 deliver approximately 14% higher energy density than conventional liquid or solid-liquid hybrid batteries of a similar generation, according to Frost & Sullivan, and support driving ranges of up to 1,000 kilometers on a single charge. These attributes make our batteries well suited for high-performance and long-range vehicle applications.
- **High power performance.** Our batteries are designed to support strong and sustained power output without compromising safety or overall performance, delivering an enhanced driving experience for the users.
- **Fast-Charging Performance.** Designed to recharge quickly without compromising safety or performance, our batteries allow drivers to restore substantial driving range during short stops. This feature enhances convenience, reduces range anxiety, and supports broader adoption of electric vehicles, especially in commercial and high-usage applications.
- **Long cycle life.** Our batteries are engineered for long cycle life and calendar life, supporting consistent performance over extended periods of use. They are designed to maintain capacity and reliability through repeated charging and discharging cycles and over years of operation, which helps extend vehicle life and reduce replacement costs.
- **High Compatibility.** Our battery packs are compatible with the major electrical systems used in today’s EVs, which allows smooth integration with a wide range of automotive OEM platforms. This flexibility, combined with scalable manufacturing and optimized system design, enables us to supply batteries efficiently for multiple vehicle programs, supporting both domestic and international growth.

Case Study: Performance validation of our first manganese-based solid-liquid hybrid batteries

Our first manganese-based solid-liquid hybrid batteries have demonstrated strong safety performance and low-temperature performance, both of which are critical to the practical use of electric vehicles. Independent automotive media testing highlighted the batteries’ ability to maintain structural integrity, energy retention and charging capability under demanding conditions.

In safety testing, a fully charged cell remained free from fire or explosion after penetration by a 10 mm threaded steel bar and two hours of static observation. In low-temperature testing under conditions approaching -40°C , the battery maintained 99.7% of its charge after the vehicle was parked overnight for 12 hours following charging. Even with 30% SOC remaining in a low temperature environment mentioned above, the battery was still able to gain an additional 14% charge in 30 minutes, supporting 71 kilometers of additional range.

BUSINESS

These performance characteristics supported the successful application of our battery in the MG4, an MG-branded model under SAIC Group and the world’s first mass-produced vehicle equipped with a manganese-based solid-liquid hybrid battery. Since its launch, the solid-liquid hybrid battery version of the MG4 has attracted significant market attention and has become a key selling point of the model.

Strategic Collaboration with Automotive OEMs

Strategic collaboration with automotive OEMs is a core driver of both our technological progress and successful commercialization. We focus on achieving breakthroughs in the transition to solid state battery technology by replacing conventional liquid electrolytes with our proprietary solid electrolyte systems and progressively reducing liquid content across successive product generations. In doing so, we prioritize cost efficiency, safety performance, low temperature capability, and scalable manufacturing processes. This strategy has enabled mass production of solid-liquid hybrid batteries, resulting in highly competitive products that support our automotive OEMs partners’ vehicle programs.

Our engineering teams collaborate closely with automotive OEMs, and participate directly in battery system integration, packaging layout, and vehicle-level testing. Technical specifications are defined jointly with automotive OEMs based on performance, safety, cost, and regulatory requirements, and are refined through iterative process and material optimization, equipment commissioning and line qualification, and pilot production. This coordination improves production planning, quality control, and supply chain alignment with automotive OEM schedules, enhances manufacturing consistency and delivery reliability, optimizes costs, and enables our technical solutions to adapt across multiple models, supporting economies of scale and accelerating development efficiency.

We have established and maintained close collaborative relationships with leading automotive OEMs and continue to deepen such collaborations to expand our sales channels and market presence. In the passenger-vehicle segment, we have worked closely with SAIC Group on the development and integration of our battery solutions into passenger vehicle platforms, supporting the commercialization of our products in mass production vehicle programs and helping us refine product performance, system integration and manufacturing readiness. In the commercial-vehicle segment, we have partnered with Foton since 2022, with our technical teams working together to define battery specifications for vehicles requiring extended cycle life and stable performance under frequent use. The first jointly developed solution for light commercial vehicles was completed in 2023 and entered mass production in 2025. The battery design is adaptable across multiple commercial vehicle platforms. We have also collaborated with SAIC Group in launching its Yuejin model.

The development and commercialization of our all-solid-state battery products are also supported by close collaboration with automotive OEMs. We have completed the design and simulation of all-solid-state battery modules and PACK systems, and prototype battery packs have been successfully manufactured and taken off the production line. Building on this progress, we have jointly developed, together with SAIC Group, an electric vehicle equipped with all-solid-state batteries, with the first prototype vehicle completing final assembly in early 2026.

BUSINESS

Commercialization

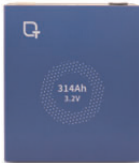
In 2020, we completed construction of a production line for vehicle-grade solid-liquid hybrid EV batteries, marking the start of vehicle-grade manufacturing. We subsequently refined manufacturing processes to improve cell consistency, production yield, cost control, and safety testing, establishing a stable foundation for mass production and vehicle integration.

Our batteries have been installed across multiple vehicle categories. High-energy-density solid-liquid hybrid batteries are deployed in premium passenger vehicles, including the IM Motors L6 Lightyear Edition. Manganese-based solid-liquid hybrid batteries are used in passenger vehicles such as the SAIC Group’s MG4 Anxin Edition. In commercial vehicles, lithium iron phosphate solid-liquid hybrid cells have been installed in 29 models from leading automotive OEMs, such as Foton Xiangling, Cavan Lefu, SAIC Group’s Yuejin, and Iveco, as of the Latest Practicable Date. The deployment of our battery products on all these vehicle models has obtained approval in the PRC Ministry of Industry and Information Technology vehicle catalogue, a prerequisite for the commercial launch of the vehicle model.

ESS Battery Products

Our ESS battery products include battery cells, modules assembled from multiple cells, battery packs with integrated control systems, and fully assembled battery cabinets and enclosures. Customers may purchase these products either as individual components for integration into their own systems or as complete storage units ready for installation. By offering products at multiple assembly levels, we can serve projects ranging from household installations to large-scale infrastructure deployments.

Our ESS battery products are offered in multiple models, each tailored to specific applications, illustrated as follows:

	ESS battery model 1	ESS battery model 2	ESS battery model 3
Product Figure			
Product Format	36Ah pouch cell	314Ah prismatic cell	120 Ah/150 Ah prismatic cell
Key Features	High C-rate capability: supporting 4C charging and 6C discharging Wide operating temp range: from -40°C to 60°C	Long cycle life: Over 8,000 cycles at 70% capacity retention	High C-rate capability: Supporting 1.2C charging and 1.5C discharging
Applications	Suitable for short-duration backup power storage, data centers, emergency starting and similar applications	Designed for long-duration use cases requiring extended cycle life, including generation-side and grid-side ESSs	Suitable for industrial & commercial and residential ESS applications, supporting comparable power output by using lower capacity

BUSINESS

Technical and Performance Metrics

Our ESS battery products deliver practical performance for long-duration and frequently cycled applications under varying environmental conditions.

- **Safety and reliability:** Our ESS batteries use solid-liquid hybrid battery cells, which contain significantly less liquid electrolyte compared with conventional liquid lithium-ion batteries. The reduced liquid electrolyte content results in a substantial improvement in safety performance. In addition, solid-liquid hybrid batteries utilize high-temperature-resistant solid electrolyte materials, further enhancing the intrinsic safety of the cells. Our batteries have also undergone a series of rigorous safety tests, while maintaining stable and reliable performance.
- **Long cycle and service life:** Our ESS batteries are designed to deliver long cycle life, supported in part by solid electrolytes with high lithium-ion conductivity, allowing us to address the conventional trade-off between lower electrolyte content and battery life. For example, our solid-liquid hybrid 314 Ah ESS cell achieves cycle life of up to 8,000 charge-discharge cycles at 70% SOH.
- **High-rate capabilities:** Our ESS batteries also deliver high-rate, short-duration discharge performance. For example, our pouch cells achieve a maximum discharge rate of up to 6C, while the 120 Ah and 150 Ah cells support maximum discharge rates of up to 1.5C.
- **Environmental adaptability:** Our ESS batteries utilize solid electrolyte materials with high lithium-ion conductivity and high thermal stability, enabling broad environmental adaptability. The batteries can operate reliably across a wide temperature range, from -40°C under low-temperature conditions to 60°C in high-temperature environments.

Commercialization

We produce battery cells and assemble them into modules and cabinets at our production facilities. For large-scale projects, we provide delivery, on-site installation support, and commissioning in coordination with engineering contractors and grid operators. Project timelines typically range from several months to over one year. Our integrated manufacturing and deployment capabilities, including battery cell production, module and assembly, and project delivery, enable scalable operations, cost control, and reliable execution.

Our ESS battery products are used in three main types of energy-storage applications, each tailored to specific customer needs. We steadily incorporate our solid-state battery research into these products to bring new technology to market efficiently and improve performance over time. We focus on practical innovation that addresses energy security, contributes to industry standards, and advances the broader energy-storage ecosystem. By applying our technology in real products and iterating based on feedback, we strengthen our capabilities and support the growth of the industry as a whole.

- **Grid-side Applications:** For large-scale storage stations, we provide battery systems that support load balancing, peak-load management, and frequency control. Projects may involve multiple battery units connected to meet capacity requirements. We support these projects through our products, technical expertise and customization capabilities. We have delivered multiple grid-side projects in China, including a 800 MWh solid-liquid hybrid battery storage station in Wuhai, Inner Mongolia, which has been commissioned and connected to the grid. Similar projects have also been deployed in international markets. Internationally, we target

BUSINESS

regions such as Europe, Southeast Asia, and Australia, where higher pricing and more stringent safety and certification requirements have historically supported stronger gross margins.

Case study: Shanghai Shenergy Xinghuo Project

We played a key role in the Shanghai Shenergy Fengxian Xinghuo Integrated New-Type Energy Storage Demonstration Base (Phase I), Shanghai’s first grid-side hybrid energy storage power station. The project integrates multiple mainstream battery technologies, including solid-liquid hybrid batteries, flow batteries and sodium-ion batteries, and serves as a benchmark for the application of advanced energy storage solutions in the region.

We delivered a 7.5 MW/30 MWh solid-liquid hybrid ESS battery and provided technical support for system integration and operational optimization. The overall project also includes flow battery systems and sodium-ion battery systems. This hybrid configuration addresses differentiated operational requirements, including energy density, cycle life and cost efficiency.

System testing and commissioning are ongoing. Based on preliminary results, our solid-liquid hybrid battery system has achieved a measured efficiency of approximately 89%.

Following official grid connection, the project is expected to support peak shaving and frequency regulation, enhance power supply reliability, and improve the grid’s ability to integrate renewable energy sources. The project demonstrates our capability to deliver large-scale, high-performance ESSs and to deploy advanced battery technologies in grid-connected applications.

- **Industrial and Commercial:** Facilities such as data centers, hospitals, and financial institutions require continuous, highly reliable power to protect critical operations, maintain safety, and avoid costly disruptions during outages or periods of peak demand. We supply these facilities with high-voltage direct-current backup systems that deliver dependable emergency power while also enabling effective peak-demand management and load stabilization.
- **Residential Applications:** We provide compact storage systems that can be installed alongside distributed energy sources, such as rooftop solar panels, to store electricity for later use. By offering solutions ranging from individual battery cells to fully assembled systems, we can adapt to diverse customer requirements and project sizes across different market structures.

Batteries for Emerging Sectors

We are developing battery products for use in emerging sectors, as AI terminal devices, robotics, and low-altitude aviation (i.e. aircraft and aerial vehicles operating at low altitudes, typically below 1,000 meters). These applications impose more demanding operating conditions, such as compact or complex form factors, high-frequency charge-discharge cycles and reliable operation across wide temperature and environmental ranges. These requirements translate into higher requirements on battery systems, including higher energy density to minimize weight and extend runtime, and enhanced safety and performance under a wide range of temperature and pressure.

BUSINESS

Our experience in joint development with automotive OEMs has established internal processes for specification alignment, testing and coordinated production planning, which we apply in collaboration with customers in robotics. We plan to progressively consolidate related activities into a dedicated business unit, with organizational structure and resource allocation adjusted to cater for specific market demand in this area.

Automation Equipment

We offer a comprehensive portfolio of automation equipment for lithium battery manufacturing, encompassing coating machines with differentiated technical architectures, transfer drums, iron-removal filtration systems, mixers, calendaring machines and other integrated automated production solutions. These products are designed to address the operational requirements of battery manufacturers by enhancing production efficiency, process consistency and operational reliability, all of which are critical to mass production.

Our coating machine portfolio reflects the depth and breadth of our technical capabilities across diverse battery manufacturing processes. We provide a range of specialized, in-house developed solutions, including dual-power precision extrusion coating machines, vertical plate slot-die coating machines. This diversified offering demonstrates our strong process know-how and technological expertise in lithium battery manufacturing, while enabling us to address the differentiated technical and operational requirements of customers.

Our automation equipment business is underpinned by our core strengths in equipment innovation. We have commercialized mature, in-house developed equipment following successful internal deployment. Our self-developed equipment delivers high levels of production stability, throughput and quality consistency, supporting both our internal manufacturing operations and external customer applications. For example, we have developed proprietary precision calendaring equipment to address challenges in thickness uniformity and porosity control during cathode electrode fabrication. In addition, we have also independently developed transfer-printing equipment that addresses key scale-up bottlenecks and supports high-speed, continuous forming of solid electrolytes.

RESEARCH & DEVELOPMENT

R&D is central to our product development and manufacturing capabilities. Our R&D encompasses battery materials, cell and pack design, manufacturing processes, and battery management systems, with dedicated teams focused on key areas including solid electrolyte and cathode materials. These teams work across stages of development, from material formulation and laboratory testing to pilot production and mass production.

As of December 31, 2025, our R&D team comprised 610 personnel, including 22 PhD degree holders and 281 master’s degree holders. As of the Latest Practicable Date, we had filed 1,853 patent applications, including 1,037 granted patents. See “— Intellectual Property.” Our research and development activities are organized across five dedicated centers covering materials, cells, battery packs, manufacturing equipment and advanced production processes. These centers support development and engineering validation from material formulation through system integration and control, enabling coordination across stages of product development and manufacturing. We also maintain nationally accredited in-house testing capabilities, which allow us to conduct product validation and performance testing internally.

BUSINESS

Our technical capabilities have led to invitations to participate in industry technical exchanges and standards-related initiatives in the solid-state battery field. We have participated extensively in the preparation of Technology Roadmap for Energy Saving and New Energy Vehicle 3.0, a national industry guidance document that outlines key technology priorities for the sector. We also played a leading role in formulating the Criteria for Determining All-Solid-State Batteries (T/CSAE 434-2025), issued by the China Society of Automotive Engineers, the first standard of its kind in the industry to clearly define all-solid-state batteries as battery systems in which ions are conducted through solid electrolytes, according to Frost & Sullivan.

Organization of R&D Efforts

Our research and development activities are organized along two complementary directions: customer-driven development and forward-looking technology development.

Customer-driven development is based on the specific requirements of automotive OEMs and energy storage customers. For each program, we define performance targets such as energy density, safety, size, system compatibility and cost, and develop customized cell and pack solutions accordingly. Projects typically progress from requirement analysis and technical design to sample production, testing, engineering validation and mass production. This approach is intended to ensure that development efforts translate directly into commercially deliverable products.

In parallel, we conduct forward-looking research focused on next-generation solid-state battery systems, electrolyte and electrode materials and key manufacturing processes. This work is intended to build technical reserves for future product upgrades in areas such as safety, energy density, cycle life and cost. For example, we have developed manganese-based cathode materials, including lithium manganese oxide and lithium nickel manganese oxide variants, for use in EV batteries. Technologies developed through forward-looking research may later be incorporated into customer programs as they reach appropriate levels of technical readiness.

Our research and development activities are conducted on a project basis. Leveraging talent and expertise across multiple departments, the Qingtao Research Institute, under the leadership of Dr. He Hongcai, oversees and coordinates these projects throughout their entire lifecycle. We have established detailed process and procedure governing all major aspects of the R&D cycle, including the screening of proposed projects, establishment of teams, funding and resource allocation.

Materials and Battery Development

Materials and battery technologies are a central focus of our research and development efforts. Our R&D strategy emphasizes the co-development and system-level integration of proprietary composite solid electrolyte and electrode materials through our patented battery designs, to advance battery safety, energy density, operating stability, and manufacturability. At the electrolyte level, we prioritize the development of composite solid electrolytes as the core enabling platform for next-generation battery architectures, supporting a progressive transition from solid-liquid hybrid batteries to all-solid-state batteries. At the battery level, we focus on system-level integration, combining our electrolyte platforms with compatible electrode materials and cell designs to translate material-level advances into stable, manufacturable, and application-ready battery solutions. See “— Key Technologies” below for more information.

Technology Validation and Product Performance

We evaluate the performance of our battery technologies through testing programs conducted by independent third-party testing institutions, in addition to our internal technical evaluations.

BUSINESS

Our in-house testing laboratory is an accredited laboratory certified by China National Accreditation Service for Conformity Assessment (CNAS), the sole national accreditation body of China. Other reputed third-party institutions we engage include China Automotive Technology and Research Center Co., Ltd. (CATARC), a nationally recognized automotive testing institution in China, and Shanghai Institute of Quality Inspection and Technical Research, among others.

We assess battery safety and performance through independent third-party testing, including penetration, high-temperature, and charging and discharging tests. These programs evaluate safety behavior, energy storage capability, and durability, with cycle life testing used to assess performance under repeated operation. Battery performance is also tested across a range of operating temperatures to ensure reliable operation under diverse environmental conditions.

These testing programs provide robust validation across key technical parameters of battery performance, including safety behavior under penetration and elevated temperature exposure, energy density capability, electrochemical durability during extended cycling, performance across different operating temperatures and electrolyte material properties.

Manufacturing Process Development

In addition to material development, we develop production processes and equipment used in solid-state battery manufacturing. For example, we have implemented a process that forms solid electrolyte layers directly within the battery structure and have introduced transfer-printing techniques for electrolyte membrane formation to improve production consistency. These process developments are designed to enhance yield rates and support scalable manufacturing.

System and Control Development

Our R&D efforts also include pack design and battery management systems. Packs are engineered to meet application-specific requirements for electric vehicles and energy storage systems. The battery management system monitors voltage, temperature and charge status to support safe and stable operation.

Intellectual Property Management

Intellectual property management is an integral part of our research and development model. A dedicated team identifies patentable inventions and coordinates patent filings to protect proprietary technologies in relevant jurisdictions. For technical know-how that is not disclosed publicly, including manufacturing parameters and material formulations, we implement confidentiality controls. These include employee confidentiality agreements, access restrictions within research facilities and controlled access to sensitive technical documents and data.

We monitor publicly available patent filings and technology developments within the industry to assess potential infringement risks and adjust our patent strategy as appropriate. During product development and commercialization, we conduct internal reviews to identify potential intellectual property risks and implement response measures where necessary.

KEY TECHNOLOGIES

As a result of sustained investment in research and development, we have built proprietary capabilities across battery materials, cell design, manufacturing processes, production equipment and system integration.

BUSINESS

Materials Technology

Materials technology is one of our core competitive advantages. Our development efforts focus on solid-state electrolyte platforms and compatible cathode materials, in particular manganese-based cathode materials. In addition, we also develop patented nano-ceramic membranes for use in our solid-state batteries.

For electrolyte materials, our core focus is on organic-inorganic composite solid electrolytes, including SHO solid electrolytes, which we tailored to improve ionic conductivity, electrochemical stability and resistance to moisture exposure. Our electrolyte materials are designed to operate stably at room temperature and to be compatible with high-voltage cathodes used in electric vehicle and energy storage applications. Key performance considerations include ionic conductivity, interfacial stability and resistance to moisture exposure during processing.

For electrode materials, we focus on manganese-based cathode materials, including high-voltage spinel, olivine and lithium-rich manganese-based cathode materials. Our manganese-based cathode systems are engineered to operate at higher voltage ranges while maintaining structural integrity during repeated charge-discharge cycles. These materials are used in combination with our electrolyte systems to support improved energy density, operating stability, cycle life and overall battery performance.

Battery Design and Manufacturing Processes

We have developed proprietary cell structures and the relevant manufacturing processes for both solid-liquid hybrid and all-solid-state batteries. These include electrolyte layer formation within the cell, interface engineering between electrodes and electrolytes, and lithium compensation techniques designed to improve initial capacity utilization and reduce early-stage capacity loss. Our manufacturing processes are engineered to support stable large-scale production, with process controls addressing electrode uniformity, electrolyte distribution, and interfacial contact quality, which are critical to yield, batch consistency, quality control and cost efficiency.

A key element of our manufacturing platform is dry electrode processing, which eliminates the use of organic solvents and the associated coating, drying, and solvent recovery steps required in conventional wet processes. By simplifying process flow and reducing equipment, energy consumption, and facility requirements, dry electrode processing significantly lowers production complexity and supports higher throughput and yield stability. This approach also enables denser and more structurally stable electrodes and is well suited for solvent-sensitive materials used in solid-state batteries, contributing to improved performance while supporting cost-efficient mass production.

Production Equipment

To support scalable manufacturing, we have developed and deployed proprietary equipment for electrolyte transfer, coating, lithium compensation, and electrode processing. Our electrode processing equipment is designed to support dry electrode processing, enabling streamlined production with reduced capital expenditure and operating costs, and facilitating efficient scale-up from pilot production to mass production.

Our solid-state electrolyte transfer system, based on transfer-printing techniques, has progressed from pilot-stage implementation to mass production. This process enables precise and uniform electrolyte layer formation with improved dimensional consistency and reduced material loss. Through successive equipment iterations, we have increased processing speed and repeatability, supporting higher throughput, improved yield stability, and reliable mass production of solid-state battery cells.

BUSINESS

System Integration and Safety Design

At the pack level, we design integrated systems for electric vehicle and energy storage applications. This includes structural configuration, electrical architecture, thermal management systems and battery management systems.

Our pack designs are engineered to balance structural weight, energy density and safety protection. Thermal-management systems regulate temperature distribution within the pack to support stable operation under both low- and high-temperature conditions. The battery management system continuously monitors voltage, temperature and state of charge and manages balancing, protection and charging control to support safe and reliable operation throughout the product lifecycle.

Simulation and Modeling

We employ in-house multiphysics simulation tools covering electrochemical, thermal and mechanical domains to model cell- and pack-level behavior and to evaluate battery performance under different operating conditions, including high-rate charging, low-temperature discharge and long-term cycling. Our modeling framework spans material, electrolyte and system-level design, integrating first-principles calculations, molecular-dynamics simulations and multiscale modeling to assess the physicochemical properties of candidate materials and solid electrolytes. These capabilities support material and electrolyte screening and improve development efficiency. For example, our patented multiscale electrolyte-design methodology has been applied to the design of a halide solid electrolyte with high ionic conductivity, contributing to shorter development cycles.

At the cell level, we apply three-dimensional electrochemical-mechanical-thermal coupled models to evaluate key performance indicators, including capacity, charging time, direct current resistance and rate capability, as well as cycling and storage behavior. We have also developed an accelerated thermal-management simulation methodology that integrates our proprietary solid-state battery interfacial electrochemical model, supporting lifetime estimation of all-solid-state batteries. In addition, our simulation platform supports safety and reliability assessment by modeling abnormal operating conditions, including overcharge, over-discharge and internal short circuits, and incorporates mesoscopic phase-field modeling of lithium-dendrite growth.

Big Data and Artificial Intelligence

We apply big-data and artificial-intelligence technologies across materials development, battery operation and full-lifecycle management, forming a data-driven capability integrated with our existing product architecture and technical systems. In materials development, we have established an intelligent materials-design platform that combines high-throughput computation with machine-learning algorithms to support the screening and inverse design of next-generation battery materials. AI-based methods are used to evaluate the stability and ionic conductivity of solid electrolytes and electrode materials, contributing to improved R&D efficiency. The platform has been applied in multiple internal solid-state battery research projects, with certain newly designed electrolyte materials progressing to pilot-scale validation.

At the system level, we have deployed a battery big-data analytics platform across cloud and edge environments to process full-lifecycle data from cells, modules and packs. Using distributed computing and machine-learning techniques, the platform supports near-real-time analysis of operating behavior, safety early-warning functions and cloud-based smart-charging strategies. In current commercial deployments, the system has been applied in over 2,000 vehicles, covering approximately 2 million kilometers of monitored operation.

BUSINESS

In addition, we have developed an online lifetime-prediction engine for solid-state electric-vehicle batteries, implemented as a core battery-management-system algorithm and a cloud-based digital-twin service, supporting state-of-health assessment and remaining-useful-life estimation.

INTELLECTUAL PROPERTY

We consider independent innovation and intellectual property protection to be integral to our business. We have established a substantial patent portfolio covering key technologies across the industry chain, including materials, structures, systems, manufacturing processes and equipment. We protect our proprietary technologies and business through a combination of patents, trademarks, copyrights and other intellectual property rights in China and overseas, together with confidentiality arrangements with employees and relevant counterparties.

As of the Latest Practicable Date, we hold 1,037 patents, 248 of which are invention patents. We have registered 68 trademarks and 56 copyrights as of the same date. See “Appendix IV — Statutory and General Information — Further Information About Our Business — Intellectual Property Rights” for details of our material intellectual property rights.

We have established an intellectual property management and compliance framework to support our solid-state battery business and protect our proprietary technologies. Our intellectual property function is responsible for the centralized management of patents, trademarks, copyrights and trade secrets, as well as the implementation and ongoing improvement of our intellectual property compliance system. We have adopted internal policies and procedures covering intellectual property acquisition, maintenance and risk management, and conduct patent searches, freedom-to-operate analyses and risk assessments throughout the research, development and commercialization process. We also implement internal controls, including periodic reviews and employee training, to reduce the risk of intellectual property infringement and to safeguard our technological assets.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, we had not been subject to any material intellectual property claims which could have a material adverse effect on our business or operations.

MANUFACTURING

Production Bases

As of the Latest Practicable Date, we operated five battery production bases in China with a combined annual production capacity of 6.8 GWh for solid-liquid hybrid and all-solid-state batteries, located in Kunshan (two bases), Jiangsu; Yichun, Jiangxi; Chengdu, Sichuan; and Taizhou, Zhejiang. In addition, we operate materials production facilities in Huai’an, Jiangsu and Wuhai, Inner Mongolia, and an equipment production base in Huizhou, Guangdong. We are currently building an 18.5 GWh solid-liquid hybrid and all-solid-state EV battery production base. We plan to build new production bases in additional cities, while further expanding certain existing bases. These investments are intended to increase our production scale and support future growth in both solid-liquid hybrid and all-solid-state battery products. For further information on our planned investments in production bases, see “Future Plans and Use of [REDACTED].”

BUSINESS

The following table sets forth our production capacity, production volume and utilization rate at our production bases for batteries for the years indicated.

Production Base	Location	Products	Floor Area (sq. m.)	Year ended December 31,		
				2023	2024	2025
Kunshan Production Base 1						
In operation since February 2025	Kunshan, Jiangsu	EV batteries	205,018.3			
Production Volume (GWh) ^a				—	—	1.10
Effective Annual Production Capacity (GWh) ^b				—	—	1.90
Utilization Rate (%)				—	—	58%
Kunshan Production Base 2						
In operation since May 2023	Kunshan, Jiangsu	EV and ESS batteries	3,425.6			
Production Volume (GWh) ^a				0.04	0.04	0.04
Effective Annual Production Capacity (GWh) ^b				0.07	0.10	0.10
Utilization Rate (%) ^c				63%	41%	44%
Yichun Production Base						
In operation since June 2021	Yichun, Jiangxi	ESS batteries	33,465.0			
Production Volume (GWh) ^a				0.20	0.11	0.19
Effective Annual Production Capacity (GWh) ^b				0.50	0.50	0.50
Utilization Rate (%) ^c				41%	22%	39%
Total						
Production Volume (GWh) ^a				0.24	0.15	1.33
Effective Annual Production Capacity (GWh) ^b				0.57	0.60	2.50
Utilization Rate (%) ^c				43%	26%	53%

^a The production figures herein have been calculated after excluding abnormal production events, such as pilot-scale stages and periods subject to temporary production suspension. Production volume is measured from the date of formal commencement and is not annualized.

^b Effective annual production capacity reflects the actual period during which each production line was formally in operation during the relevant year, adjusted for capacity differences across product types.

^c Utilization rate is calculated by dividing production volume by effective annual production capacity for the relevant period.

Our total production capacity increased from 0.57 GWh in 2023 to 0.60 GWh in 2024 and further to 2.50 GWh in 2025, while production volume rose from 0.24 GWh to 1.33 GWh over the same period. Our capacity utilization rate was 43%, 26% and 53% in 2023, 2024 and 2025, respectively. The relatively low utilization rates in 2023 and 2024 were largely attributable to production lines operating at reduced throughput during process and material optimization, equipment commissioning and line qualification, and pilot production. A significant portion of production capacity was dedicated to process and material optimization, equipment commissioning and line qualification, and pilot production for new EV battery products, which affected overall utilization. In addition, frequent line changeovers were often required to support commercialization and qualification of batteries for key customers, including engineering validation, testing, and pre-production adjustments. As production processes stabilized and ramp-up was completed, utilization improved significantly in 2025, reflecting the transition from development-focused operations to steady commercial production.

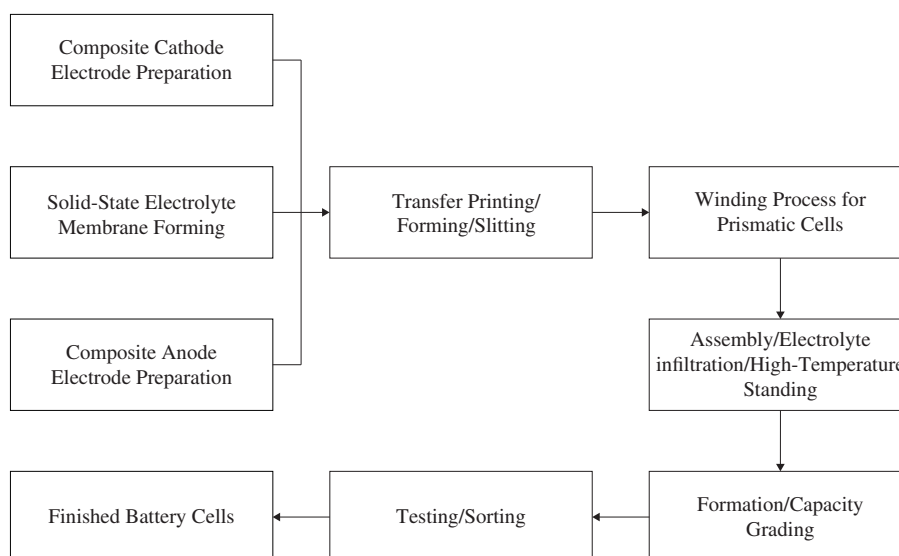
BUSINESS

Our Production Model

We adopt a make-to-order production model with close integration between production and sales while maintaining appropriate safety stock levels. The sales department consolidates customer orders and monthly demand forecasts to generate an overall demand summary, which informs the production department’s mid- to long-term master production plans covering three months or more. These plans take into account demand fluctuations, product development progress, capacity planning, equipment status, production load, and material availability, balancing production, supply, and sales coordination. Based on customer orders for the current month plus two months of forecasted demand, monthly production schedules are issued to each factory and production line, with material requirements aggregated, procurement initiated, and pre-production preparations completed. During production execution, the production department prepares materials, develops and executes process operation plans, conducts production operations, organizes resources to ensure plan fulfillment, and completes manufacturing tasks in accordance with monthly plans and Enterprise Resource Planning (ERP) work orders. Customer orders are continuously fulfilled in response to changes in demand, product output, and inventory levels, with comprehensive implementation of SAP (Systems, Applications, and Products in Data Processing), MES (Manufacturing Execution System), and WMS (Warehouse Management System) enabling effective interaction and coordination across operations, ensuring refined and efficient management throughout the production and order fulfillment process.

Our Manufacturing Process

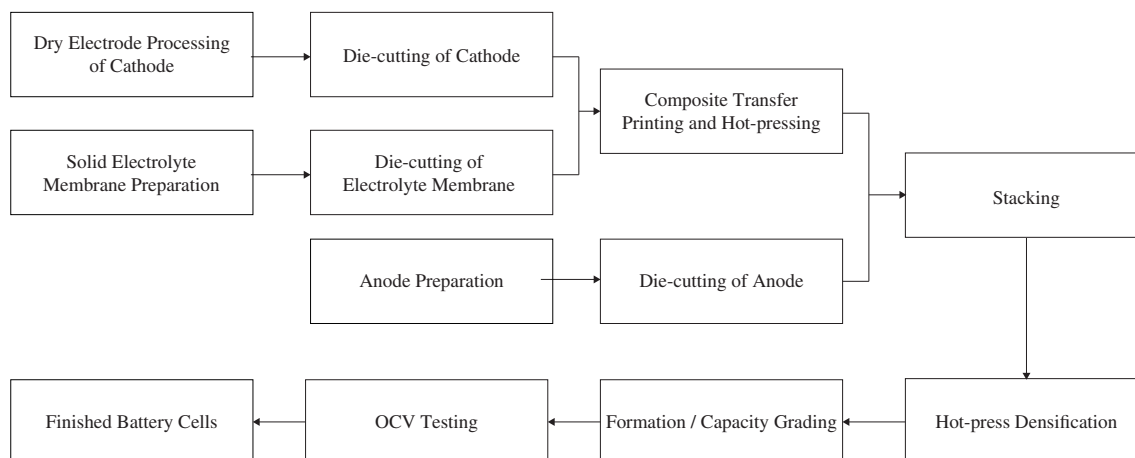
Solid-liquid hybrid batteries



The manufacturing of solid-liquid hybrid batteries builds upon the established manufacturing processes of conventional liquid electrolyte batteries, with the additional manufacturing and incorporation of a solid electrolyte membrane. This membrane is laminated with cathode and anode sheets through a transfer process. The laminated electrodes are then subjected to a winding process similar to that used for traditional liquid batteries. Following winding, liquid electrolyte infiltration and high-temperature aging are carried out to ensure thorough impregnation and uniform distribution of the solid-liquid hybrid electrolyte within the cell. The cell is subsequently packaged using the same prismatic cell enclosure process as liquid electrolyte batteries, resulting in a solid-liquid hybrid battery with the designed capacity.

BUSINESS

All-solid-state batteries



The manufacturing process for all-solid-state batteries begins with the separate preparation of the electrolyte membrane, the cathode electrode sheet and the anode electrode sheet. The electrolyte membrane is first laminated with the cathode electrode sheet through a transfer and hot-pressing process. The resulting composite sheet is then stacked with the anode electrode sheet to form basic units, which are subsequently subjected to hot pressing to achieve densification. Multiple densified basic units are assembled through secondary stacking, after which tabs are welded and the assembly is packaged using aluminum-plastic film to form an all-solid-state battery cell. Finally, the cell undergoes formation and capacity grading, open-circuit voltage testing, and aging and sorting, resulting in a finished all-solid-state battery cell.

QUALITY CONTROL

Quality control is a core element of our operations and underpins the safety, reliability and consistency of our solid-state battery products. We have established a comprehensive quality management framework that covers the entire product lifecycle, from material sourcing and process development to mass production, delivery and post-sale performance monitoring.

We operate an integrated quality management system in accordance with internationally recognized standards and industry best practices. We have obtained ISO 9001 certification for our quality management systems and IATF 16949 certification for our automotive quality management systems. These certifications demonstrate our commitment to standardized, systematic and continuously improving quality and safety management practices across our operations.

We also implement stringent supplier qualification and management procedures to ensure the quality and consistency of key raw materials. All critical materials, including solid electrolytes and electrode materials, are subject to rigorous supplier audits, technical evaluations, incoming inspections and full traceability management. We conduct regular reviews and audits to ensure ongoing compliance with our quality requirements.

Quality control is embedded at each stage of our manufacturing processes. We define and monitor critical process parameters specific to solid-state battery production and apply statistical process control, automated inspection and real-time data analysis to ensure process stability, minimize variability and support reliable scale-up.

BUSINESS

Our products undergo comprehensive testing and validation throughout development and production, including electrical performance testing, safety and abuse testing, environmental and thermal stress testing, and reliability assessments under extreme operating conditions. We conduct testing in accordance with applicable international and regional safety standards, including those relating to battery safety, transportation and application-specific requirements, and engage independent third-party testing and certification bodies where appropriate.

We conduct accelerated aging tests and lifecycle evaluations to assess long-term performance and durability across different application scenarios. Post-delivery, we maintain structured product performance monitoring and customer feedback mechanisms, with field data systematically incorporated into product design optimization and process improvement initiatives. Through continuous training, internal audits and data-driven improvement programs, we foster a strong quality and safety culture across the organization, ensuring that technological innovation and capacity expansion are achieved without compromising product integrity or regulatory compliance.

PROCUREMENT

Our Procurement Model

We procure primarily raw materials and others from third parties. The procurement process consists primarily of procurement request approval, supplier negotiation and designation, inspection and warehousing, and payment.

Procurement Request Approval

Relevant departments of our Company submit procurement requests based on actual production plans, R&D needs, production line planning requirements, etc. These requests are routed to the procurement department following approval by successive levels of divisional leadership.

Supplier Negotiation and Management

Non-Mold Materials

Non-Mold Materials: The procurement department solicits competitive quotes from pre-qualified suppliers based on technical drawings and documentation, submits a procurement approval form, and designates the contractual supplier based on delivery timelines, pricing, and commercial terms.

Mold- Required Materials

For mold development, the procurement department solicits competitive quotes from pre-qualified suppliers based on technical drawings and documentation, submits a procurement approval form for approval by relevant divisional leadership. The mold designation supplier is jointly determined by procurement, technical, and quality departments based on delivery timelines, pricing, and commercial terms. Subsequently, the procurement department pursues single-source procurement approval based on mass production annual unit pricing and issues procurement plans.

Inspection and Warehousing

Suppliers are required to deliver materials accompanied by quality reports. The materials will be moved to standard warehousing once they pass inspection.

BUSINESS

Payment

We make timely payments to suppliers in accordance with contract terms. Payment requests undergo approval by the respective department head, finance department, and divisional leadership prior to execution.

Procurement of Raw Materials From Suppliers

The raw materials that we purchase from our suppliers mainly include cathode materials such as lithium iron phosphate (LFP), lithium nickel cobalt manganese oxide (NCM), and lithium manganese oxide (LMO); anode materials such as graphite; solid electrolytes such as SHO; current collector foils including copper foil and aluminum foil; and lithium hexafluorophosphate (LiPF₆). Other materials include separators, carbon nanotubes, binders, and structural parts such as top covers and prismatic cell housings.

SUPPLY CHAIN MANAGEMENT

Supplier Selection and Management. We have established a structured supply chain management framework that emphasizes supplier governance, compliance oversight and operational coordination, ensuring the reliability and resilience of our supply chain across different stages of product development and commercialization.

Supplier Management and Compliance. We maintain a structured supplier management system covering key raw materials, components and equipment required for solid-state battery production. Suppliers are subject to standardized qualification procedures, including assessments of technical capabilities, quality management systems and regulatory compliance. We require suppliers to comply with applicable laws and regulations relating to environmental protection, occupational health and safety, labor standards and ethical conduct, and we conduct periodic reviews to ensure ongoing compliance.

Supply Chain Coordination and Stability. We emphasize long-term cooperation with qualified suppliers to support supply stability, quality consistency and technological iteration. Through standardized management processes and coordination mechanisms, we enhance supply chain transparency and responsiveness, while reducing reliance on any single supplier. Our supply chain management supports close alignment between supplier capacity and our production planning requirements.

Logistics and Operational Support. We have established supply chain coordination mechanisms to support efficient logistics and inventory planning across different stages of production. By aligning supply arrangements with manufacturing schedules and capacity planning, we enhance operational efficiency and supply continuity.

Key Terms of Supply Agreements

We generally enter into framework agreements with our suppliers. Key terms of our supply agreements with suppliers primarily include:

Purchase orders

We shall notify the suppliers of the type, specification, quantity, unit price, tax rate and date of delivery of the products we need in written purchase orders. We generally reserve the right in the framework agreements to adjust the purchase orders.

BUSINESS

Price	The price of the products to be procured is generally specified in the relevant purchase orders. The supplier generally undertakes that the prices offered to the purchaser shall not be higher than the average market price of comparable products and, under the same conditions, shall generally be no less favorable than the most favorable prices offered by the supplier to its comparable customers. If the supplier is found to have breached such pricing undertaking, the settlement price under the contract may be adjusted to such most favorable price, the supplier may be required to refund the price difference, and the purchaser may have the right to terminate the contract.
Payment	We shall generally payment by acceptance bill within 60 days from the date on which the products have passed acceptance inspection and we have received the full amount of the corresponding invoice.
Delivery	We generally specify the mode of delivery to the suppliers, and the suppliers have 24 hours to accept or refuse.
Acceptance and Inspection	Prior to delivery, the supplier shall inspect the products and confirm that they meet the required quality, specifications, performance and quantity. Acceptance shall be carried out based on the agreed technical specifications and samples, or, where these are not available, in accordance with applicable national or industry standards, or otherwise standards sufficient to meet the intended use of the products.
After-sales Warranty and Service	The warranty periods are usually specified in years in our framework agreements with the suppliers. The exact length of the period depends on the type of products purchased. Suppliers of components for our product models have undertaken, pursuant to the relevant framework agreements, to continue supplying us with the corresponding spare parts for after-sales service purposes for a period of ten years following the cessation of production of the relevant model, at prices not higher than those applicable to the initial bulk supply of such parts.
Confidentiality	We generally set confidentiality clauses in the framework agreements, and the period of confidentiality obligations may be extended to after the expiration of the agreements.
Intellectual Property	We include specific provisions in the framework agreements to safeguard our intellectual property rights.
Duration, termination and renewal	The framework agreements typically have an initial term of five years and, unless otherwise notified by either party, are automatically renewed for successive one-year terms upon expiry of each term.

BUSINESS

Our Suppliers

The following tables set forth details of our top five suppliers each year during the Track Record Period:

Rank	Supplier	Supplier Background	Main Type of Purchase	Credit Terms	Year of Commencing Business Relationship	Purchase Amount (RMB'000)	% of Total Purchase Amount %
<i>For the year ended December 31, 2023</i>							
1	Supplier A	Cathode material manufacturing enterprise; publicly listed company	Cathode material	Payment typically due within 60 days	2023	26,168	6.2%
2	Supplier B	Cathode material manufacturing enterprise	Cathode material	Payment typically due within 60 days	2023	22,717	5.4%
3	Supplier C	Lithium battery processing enterprise	Battery components	Payment typically due within 60 days	2023	14,513	3.4%
4	Supplier D	Energy storage and power transformation system supplier; subsidiary of a publicly listed company	Containerized battery system	Payment typically due within 60 days	2023	11,987	2.8%
5	Supplier E	Lithium battery material manufacturing enterprise	Electrolytes	Payment typically due within 60 days	2023	7,642	1.8%
Total						<u>83,027</u>	<u>19.6%</u>
<i>For the year ended December 31, 2024</i>							
1	Supplier F	Cathode material manufacturing enterprise	Cathode material	Payment typically due within 60 days	2022	44,259	8.4%
2	Supplier A	Cathode material manufacturing enterprise; publicly listed company	Cathode material	Payment typically due within 60 days	2023	29,013	5.5%
3	Supplier C	Lithium battery processing enterprise	Contract manufacturing services	Payment typically due within 60 days	2023	16,157	3.1%
4	Supplier G	Lithium battery copper foil manufacturing enterprise	Copper foil	Payment typically due within 60 days	2024	15,917	3.0%
5	Supplier H (Customer A)	Lithium battery enterprise; domestic telecommunications base station power supply manufacturer	Contract manufacturing services	Payment typically due within 60 days	2022	14,197	2.7%
Total						<u>119,543</u>	<u>22.8%</u>

BUSINESS

<u>Rank</u>	<u>Supplier</u>	<u>Supplier Background</u>	<u>Main Type of Purchase</u>	<u>Credit Terms</u>	<u>Year of Commencing Business Relationship</u>	<u>Purchase Amount</u> (RMB'000)	<u>% of Total Purchase Amount</u> %
<i>For the year ended December 31, 2025</i>							
1	Supplier C	Lithium battery processing enterprise	Contract manufacturing services	Payment typically due within 60 days	2023	139,782	12.1%
2	Supplier F	Cathode material manufacturing enterprise	Cathode material	Payment typically due within 60 days	2022	70,616	6.1%
3	Supplier I	Cathode material manufacturing enterprise; subsidiary of a publicly listed company	Cathode material	Payment typically due within 60 days	2024	56,235	4.9%
4	Supplier J	Cathode material manufacturing enterprise	Cathode material	Payment typically due within 60 days	2021	52,876	4.6%
5	Supplier K	Manufacturer of structural parts	Structural parts	Payment typically due within 60 days	2023	52,707	4.6%
Total						<u>372,216</u>	<u>32.2%</u>

During each year of the Track Record Period, the aggregate purchase amounts from the five largest suppliers set out above were RMB83.0 million, RMB119.5 million, and RMB372.2 million, representing 19.6%, 22.8%, and 32.2% of our total purchase amount from suppliers associated with our cost items, respectively. The purchase amounts from our single largest supplier set out above in the same periods were RMB26.2 million, RMB44.3 million, and RMB139.8 million, representing 6.2%, 8.4%, and 12.1% of such total purchase amount, respectively.

Our Directors confirmed that, during the Track Record Period, we have not experienced fluctuations in prices set by our suppliers, breach of contract on the part of our suppliers or delay in delivery of our orders from our suppliers that, in each case, have had a material adverse effect on our business operations.

As of the Latest Practicable Date, we held approximately 31.4% equity interests in Supplier K. In addition, two of our Directors, Dr. Li Zheng (李嶧) and Ms. Yang Fan (楊帆), held 6.0% and 9.0% of the equity interests, respectively, in a partnership which in turn held approximately 13.0% of the equity interests in Supplier H. Except as disclosed above, all of our five largest suppliers were Independent Third Parties, and none of our Directors, their close associates or any of our Shareholders who, to the knowledge of our Directors, owned more than 5% of our issued share capital had any interest in any of our five largest suppliers.

BUSINESS

SALES, MARKETING AND CUSTOMERS

We adopt a direct sales model, establishing long-term and stable relationships with our core customers.

In the EV battery sector, we engage in collaborative development with automotive OEMs regarding new vehicle models, deeply participating in the product definition of EV battery systems. Upon completing vehicle validation, we realize revenue through bulk delivery for vehicle installation.

In the energy storage market, we supply battery cells, modules and assembled systems for grid-connected and customer-side applications. Deliveries are typically project-based and involve production, shipment and commissioning in accordance with customer contracts.

Our overall business model is based on the large-scale production and delivery of solid-state battery products for electric vehicles and energy storage systems. Revenue from the energy storage business has historically provided operating scale and cash flow support, while continued development of electric vehicle programs is expected to contribute to future volume growth, subject to OEM production schedules and market demand.

Our Sales Model

We employ a direct sales model to provide solid-state battery products and related services to our customers, as detailed below:

Sales Model for EV Batteries

Our sales department conducts ongoing market research and maintains technical coordination with our customers to understand vehicle project information and formulate preliminary automotive product requirements. In collaboration with customer’s R&D and procurement departments, this generates product technical specifications or requests for quotation for specific models, including key details such as product launch timeline, sales volume targets, and technical requirements. Upon receipt, we organize product managers for detailed analysis, forming an initial quotation team to provide preliminary technical solutions and pricing.

We participate in vehicle manufacturer technical review meetings covering product solutions, process flows, quality controls, and equipment lists. Upon successful review, we submit formal quotations. Following commercial negotiations, the vehicle manufacturer issues an official product designation notice. Upon such notice, we establish a formal project team, referencing the automotive industry’s standard IATF 16949 quality management system. This refines project milestones, work responsibilities, objectives, and phased deliverables to advance battery product R&D, process and material optimization, equipment commissioning and line qualification, and pilot production. We coordinate with relevant departments for supplier evaluations, equipment procurement, process optimization, and tooling design to ensure bulk order delivery per customer requirements. Concurrently, the vehicle manufacturer arranges R&D, procurement, quality, and logistics departments to conduct product technical acceptance (ESO), production part approval process (PPAP), and comprehensive bulk production qualification reviews.

We manufacture and deliver based on customer purchase orders, confirming product delivery, issuing invoices, recognizing revenue, and collecting payments per contract terms. We also provide agreed-upon after-sales services including returns, exchanges, and repairs to enhance customer satisfaction and loyalty.

BUSINESS

Sales Model for Other Sectors

In energy storage and other sectors, we engage in in-depth coordination with prospective customers to fully understand their requirements, conducts internal project feasibility analysis and review, and provides technical support and product solutions. Following customer testing, qualification review, and commercial negotiations, formal supplier qualification is granted. Subsequently, we execute specific sales contracts or orders detailing product types, models, pricing, delivery schedules, and related terms, delivering products per agreement. Revenue is recognized upon customer receipt or acceptance.

Marketing

We have established a structured marketing and sales framework to support the commercialization of our solid-state battery products. Our marketing system is designed to align closely with our technology development and manufacturing capabilities, enabling us to respond effectively to customer requirements and evolving market demand.

Marketing Organization and Structure

Our marketing activities are centrally coordinated by the Group Marketing Center at our headquarter, which is responsible for overall marketing strategy formulation, brand management, market research and allocation of marketing resources. The Group Marketing Center also oversees the sales of batteries, battery systems and battery materials across the Group.

We adopt a “headquarters plus regional/business unit” operating model. Regional marketing teams are established in key business locations and operate under the strategic guidance of the Group Marketing Center while being administratively managed by the relevant local subsidiaries. These regional teams focus on customer development and project execution within their respective markets. In addition, our EV battery and battery system business is supported by a dedicated marketing team based in Shanghai, which focuses on direct engagement with automotive OEM customers. Our equipment sales business is conducted independently by a subsidiary with a dedicated equipment marketing unit, while technical coordination is supported at the Group level.

Market Coverage and Segmentation

We implement a matrix-based market coverage strategy combining industry segmentation and geographic focus. From an industry perspective, our energy storage business is segmented into grid-side energy storage, industrial and commercial energy storage, and residential energy storage, while our EV battery business is organized by customer type, including passenger vehicle and commercial vehicle manufacturers. From a geographic perspective, we prioritize key regions such as East China, Southwest China and Northwest China, with regional marketing teams leading customer engagement in these areas and the Group Marketing Center supporting other regions as needed.

Customer Acquisition and Sales Channels

Our customer acquisition strategy varies by product and application scenario. In the EV battery sector, our dedicated marketing team engages automotive OEM customers at an early stage of product development, working closely with customers to provide customized battery system solutions. This early involvement model allows us to align product specifications with customer requirements and support long-term cooperation.

BUSINESS

For large-scale energy storage projects, we primarily target power grid companies, state-owned energy platforms and large energy groups through a direct sales model led by the headquarters key account team and supported by regional follow-up. We actively participate in national and local energy storage demonstration projects and collaborate with energy investors and EPC contractors. For smaller-scale energy storage applications, we work with industry partners such as system integrators and energy service providers, offering product solutions, delivery support and technical training.

Marketing Strategy and Execution

Our marketing strategy emphasizes technology-driven differentiation, leveraging the safety performance, energy density and lifecycle advantages of solid-state battery technology to address customer pain points across different application scenarios. We also focus on developing benchmark projects in both EV and ESS battery markets, creating reference cases that help drive broader market adoption. At the same time, we actively collaborate with automakers, energy storage investors, and system integrators to explore new business opportunities and expand our market presence.

Our sales execution follows a standardized process covering opportunity identification, project initiation, solution design and technical alignment, commercial negotiation, contract execution, delivery and after-sales support. Cross-functional project teams comprising sales and technical personnel are formed for key projects to ensure effective coordination throughout the project lifecycle.

Collaboration with Major Customers

We maintain close collaboration with leading automotive OEM customers, including SAIC Group and BAIC Group, through joint development and project-based cooperation. In typical cooperation models, we engage with customers during the vehicle development phase to provide customized battery or battery system solutions, participate in testing and validation, and support subsequent production planning and delivery. Such cooperation enables us to deepen customer relationships, enhance product adaptability and support the commercialization of our solid-state battery technology in automotive applications.

Key Terms of Sales Agreements

For our EV batteries, we generally enter into framework agreements with our customers, while for our ESS batteries, we generally enter into individual sales agreements. Key terms of sales agreements with our customers primarily include:

Purchase orders	Our sales agreements set forth the quantity, product model, purchase price, payment time, and delivery time, schedule, method and location, as agreed by the parties.
Price	We specify the price of each product provided to customers in the individual purchase order, including unit price and total price.
Payment	Within an agreed time after signing the sales agreement, the customer must pay a deposit to secure the purchase. Within an agreed time after the delivery of each purchase order, the customer must make the specified majority of payment of the purchase price, with a small specified portion of the purchase price retained as a quality-assurance deposit to be fully paid within one year after delivery.

BUSINESS

Delivery	We typically bear the costs and risks of transportation until delivery to the agreed location. We package goods in accordance with accepted industry standards.
Acceptance and Inspection	Customers should conduct inspections on name, model, specification, quantity, packaging, appearance, etc. of the product prior to acceptance, and should conduct all product quality inspections within a set time of receipt.
After-sales Warranty	We provide after-sales services for a specified period, as agreed in individual sales agreements. During the warranty period, we will provide free repair, maintenance or replacement and other after-sales services for products with quality problems, subject to terms and regulations on the use and testing of the products.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we did not experience any breach of contracts with our customers that have had a material adverse effect on our business operations.

Our Customers

During the Track Record Period, our principal customers in the EV battery sector were automotive OEMs, while our principal customers in the ESS battery sector were mainly engineering, procurement and construction, or EPC, contractors who integrate our battery products into ESS projects. Revenue generated from our five largest customers in each year during the Track Record Period amounted to RMB108.3 million, RMB153.7 million and RMB706.2 million, respectively, representing 43.6%, 37.9% and 74.9% of our total revenue for the respective year. Revenue generated from our largest customer in the same periods were RMB75.4 million, RMB61.4 million and RMB394.6 million, respectively, representing 30.4%, 15.1% and 41.8% of our total revenue for the respective year. See “Risk Factors — Risks Related to Our Industry and Business — If we are unable to retain existing customers and attract new customers, our business, financial conditions and results of operations could be materially and adversely affected.”

BUSINESS

The following tables sets forth detail of our five largest customers in each year during the Track Record Period:

Rank	Customer	Customer Background	Main Type of Sales	Year of Commencing Business Relationship	Revenue (RMB'000)	% of Total Revenue %
<i>For the year ended December 31, 2023</i>						
1	Customer A (the same entity as Supplier H)	Lithium battery enterprise; domestic telecommunications base station power supply manufacturer	ESS batteries; Automation equipment	2022	75,417	30.4%
2	Customer B	Energy storage enterprise; small-scale energy storage system integrator and manufacturer	ESS batteries	2022	10,049	4.1%
3	Customer C	New energy power and equipment enterprise; portable power supply manufacturer	ESS batteries	2022	9,751	3.9%
4	Customer D	Automotive OEMs	Automation equipment	2022	7,292	2.9%
5	Customer E	New energy enterprise; manufacturer of batteries	Automation equipment	2021	5,766	2.3%
Total					108,275	43.6%
<i>For the year ended December 31, 2024</i>						
1	Customer F	Energy enterprise	ESS batteries	2022	61,394	15.1%
2	Customer G	ESS enterprises affiliated with a government entity	ESS batteries	2023	30,291	7.5%
3	Customer H	Internet and digital services provider	ESS batteries	2023	30,265	7.5%
4	Customer E	New energy enterprise; manufacturer of batteries	Automation equipment	2021	16,398	4.1%
5	Customer A	Lithium battery enterprise; domestic telecommunications base station power supply manufacturer	ESS batteries; Automation equipment	2022	15,359	3.8%
Total					153,707	37.9%
<i>For the year ended December 31, 2025</i>						
1	Customer I	Power construction group; EPC contractor for power engineering projects	ESS batteries	2025	394,558	41.8%
2	Customer J	Automotive OEMs	EV batteries	2022	164,908	17.5%
3	Customer K	Enterprises affiliated with a government entity	ESS batteries	2023	73,683	7.8%
4	Customer L	Automotive OEMs	EV batteries	2021	54,309	5.8%
5	Customer A	Lithium battery enterprise; domestic telecommunications base station power supply manufacturer	Automation equipment	2022	18,722	2.0%
Total					706,180	74.9%

BUSINESS

Among our five largest customers during the Track Record Period, Customer J held 4.1% of the equity interests in our Company, as of the Latest Practicable Date. In addition, Customer L is a connected person of our Company as defined under Chapter 14A of the Hong Kong Listing Rules. Moreover, to the best knowledge of our Directors and based on publicly available information, two of our Directors, Dr. Li Zheng (李嶧) and Ms. Yang Fan (楊帆), held 6.0% and 9.0% of the equity interests, respectively, in partnership, which in turn held approximately 13.0% of the equity interests in Customer A (the same entity as Supplier H, one of our five largest suppliers in 2024). Except as disclosed in the foregoing sentences, to the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our other five largest customers were Independent Third Parties. Sales to all the aforesaid customers were conducted on an arm’s length basis in accordance with the relevant sales and/or partnership arrangements. Except as disclosed above, to the best of our knowledge, none of our Directors, their close associates or any of our Shareholders (who to the knowledge of our Directors, owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

Overlaps between Customers and Suppliers

During the Track Record Period, certain of our top five customers were also among our suppliers, and certain of our top five suppliers were also among our customers. These counterparties included Customer A (the same entity as Supplier H, which was one of our five largest suppliers in 2024), Customer B, Customer C, Customer L and Supplier K. The overlap between customers and suppliers primarily arose because certain counterparties had business dealings with us in both directions. In some cases, we purchased raw materials, components or other inputs from these counterparties while also selling products to them, reflecting their respective positions at different points of the broader new energy and automotive value chain. In other cases, the parties worked together as upstream and downstream partners within the same broader business flow, which resulted in reciprocal purchasing arrangements. The overlap also arose in certain instances where different entities within the same corporate group separately maintained sales and procurement relationships with us based on their distinct business functions. Such overlapping relationships arose in the ordinary course of business and are consistent with normal industry practice, according to Frost & Sullivan, reflecting the integrated nature of the battery supply chain where participants may simultaneously transact as both buyers and sellers of different materials and products.

Our Directors have confirmed that none of our sales to and purchases from the above overlapping customers/suppliers during the Track Record Period was inter-conditional, inter-related or otherwise considered as one transaction. We negotiate the respective transactions with the above overlapping customers/suppliers on an arm’s-length basis with reasonable and fair pricing terms.

Except as disclosed in the table above, to the best knowledge of our Directors, none of our five largest customers in each period of the Track Record Period was also a supplier, and none of our five largest suppliers in each period of the Track Record Period was also a customer.

Pricing

We consider a number of factors in determining the pricing of our products, including, among others, raw material price trends, level of competition for similar products, customers’ industry positioning, nature of our relationship with customers and the relationship tier with customers, and impact on project decisions. We set pricing mechanisms based on different market conditions, product technical requirements and service requirements for our international business. We also conduct regular reviews of other quotations in the market, and we update our recommended prices each quarter.

BUSINESS

Seasonality

For further information on the seasonality affecting our business, see “Risk Factors — Risks Related to Our Industry and Business — Our business is exposed to the supply-demand dynamics in the solid-liquid hybrid and all-solid-state battery industry; any adverse development of the supply-demand dynamics may materially and adversely affect the price of our products, our financial condition and results of operations” and “Financial Information — Key Factors Affecting Our Results of Operations — Company-specific Factors — Seasonality.”

BUSINESS SUSTAINABILITY AND PATH TO PROFITABILITY

We recorded gross loss of RMB59.0 million, RMB96.3 million and RMB250.3 million in 2023, 2024 and 2025, respectively, representing gross loss margins of 23.8%, 23.8% and 26.5% during the same periods, respectively. We recorded net losses of RMB853.0 million, RMB999.1 million and RMB1,302.3 million in 2023, 2024 and 2025, respectively. Our adjusted net loss (non-IFRS measure) amounted to RMB277.6 million, RMB496.1 million and RMB765.7 million in 2023, 2024 and 2025, respectively.

Reasons for Historical Losses During the Track Record Period

The battery industry is at a critical stage of transition toward solid-state technologies, and the penetration of solid-liquid hybrid batteries and all-solid-state batteries is expected to continue to increase. As a leading company in the industrialization of solid-state batteries in China, we were, during the Track Record Period, evolving from a research-driven technology company into one with broader manufacturing capabilities.

We develop, manufacture and sell solid-liquid hybrid batteries and all-solid-state batteries, a category of products for which supply chains for materials, equipment and production methods are still less developed and less standardized than those for more mature battery technologies. Our EV batteries remain at an early stage of commercialization and ramp-up, while our ESS batteries, although having commenced commercial mass production, continue to ramp up in terms of production scale and customer adoption. As a result, our revenue base remained relatively small, our research and development expenses and general and administrative expenses represented a high percentage of revenue, and our production costs reflected the characteristics of an early-stage manufacturing business, including relatively high material cost per unit, relatively high depreciation and amortization per unit, and lower yield.

In particular, we were moving from laboratory testing and pilot production toward mass production and delivery. At this stage, we incurred significant upfront expenditures to develop our manufacturing processes, build production facilities and satisfy the demanding qualification requirements of our customers, including leading automotive OEMs. We incurred these investments and operating costs before we could generate revenue at a comparable scale and before we could benefit from the lower unit costs that typically accompany more stable and larger-scale mass production. Although these expenditures did not immediately translate into revenue at a similar scale, they laid the foundation for our proprietary technologies, manufacturing processes, production capabilities and customer validation record.

More specifically, our historical losses during the Track Record Period were primarily attributable to the following factors.

BUSINESS

Fixed Manufacturing Costs Not Yet Fully Diluted

Our gross loss during the Track Record Period primarily reflected the early stage of our production and delivery scale-up. During the Track Record Period, our production lines used for process and material optimization, equipment commissioning and line qualification, and pilot production, with limited-volume commercial delivery to customers, rather than broader commercial mass production. This was consistent with the qualification-driven nature of battery supply chains where customers generally do not place large-volume purchase orders until a supplier has completed the required validation and approval steps. According to Frost & Sullivan, solid-liquid hybrid batteries and all-solid-state batteries typically require a prolonged qualification cycle before customers commit to larger-scale purchase orders. As a result, production facilities must be installed, qualified and ready for supply before larger-scale customer orders begin. In our case, our production assets had already entered service and started to incur depreciation before the related customer programs generated deliveries at a comparable scale.

Battery manufacturing is capital-intensive. A meaningful portion of our cost of sales consists of fixed and semi-fixed costs, such as manufacturing overhead and labor costs, while other components, such as material costs and inventory write-downs, may also affect our cost of sales. During the Track Record Period, these fixed and semi-fixed costs were spread over a limited volume of commercial delivery, resulting in a relatively high unit cost and negative gross margin.

The same trend is also reflected in our production capacity, output and utilization levels during the Track Record Period. Our effective annual production capacity increased from 0.57 GWh in 2023 to 0.60 GWh in 2024 and 2.50 GWh in 2025, while annual production volume decreased from 0.24 GWh in 2023 to 0.15 GWh in 2024 and increased to 1.33 GWh in 2025. Our capacity utilization rate was 43%, 26% and 53% in 2023, 2024 and 2025, respectively. The relatively low utilization rates in 2023 and 2024 were largely attributable to production lines operating at reduced throughput during process and material optimization, equipment commissioning and line qualification, and pilot production. These factors had a more pronounced effect during periods when our available production capacity was still limited. By expanding our production capacity, we will be able to accommodate these activities while supporting the mass production of our battery products, which helps improve our capacity utilisation in 2025. However, in order to support the delivery of different products to our key customers, we need to carry out production line changeovers and adjustments, which have affected the ramp-up and release of our production capacity. As a result, we had not yet reached full production capacity in 2025. For further details, see “Business — Manufacturing — Production Bases.”

Our gross loss also reflected the early stage of scale-up of our manufacturing operations. During the Track Record Period, our procurement volumes for key raw materials remained below the levels typically associated with full-scale mass production. As a result, we had not yet benefited from the lower unit purchase prices generally available under larger-volume procurement arrangements. In addition, in order to support supply process and material optimization, equipment commissioning and line qualification, and pilot production, we maintained inventory buffers for certain key raw materials and components. Certain of these materials were relatively specialized and were still in the early stages of broader commercial adoption, and the relevant supply chain required time to develop and mature. As a result, supplier coverage, scale economies and cost efficiency for such materials had not yet fully developed. These factors increased our unit raw material and inventory-related costs, which in turn contributed to our gross loss.

BUSINESS

Strategic Expansion into the EV Battery Business

Our historical losses were attributable in part to our strategic focus on the EV battery business, particularly the passenger vehicle battery segment, which carries a higher upfront cost profile than our ESS battery business.

Compared with ESS batteries, passenger vehicle EV batteries are subject to materially more demanding requirements in safety, consistency, energy density, traceability and quality control. To enter and expand within the passenger vehicle OEM supply chain, we made substantial upfront investments alongside capacity expansion, as well as process and material optimization, equipment commissioning and line qualification, and pilot production. These expenditures enabled us to support stable initial deliveries and satisfy customer qualification requirements, but they also increased our cost base during the Track Record Period and contributed to our losses.

At the same time, the early-stage ramp-up of our EV battery business delayed the absorption of these costs. During the initial delivery stage of our passenger vehicle battery programs, we maintained relatively high levels of raw material redundancy and incurred additional costs to meet demanding performance and safety standards. We also devoted a substantial portion of production time to process and material optimization, equipment commissioning and line qualification, and pilot production and line changeovers, which reduced effective utilization and increased non-productive manufacturing losses. As a result, our EV battery business remained in an investment and ramp-up phase during the Track Record Period and placed pressure on our gross margin and overall profitability.

EV batteries recorded gross loss margins of 38.1%, 77.0% and 111.6% in 2023, 2024 and 2025, respectively, and remained at an early stage of commercialization and ramp-up during the Track Record Period.

Front-Loaded Investment in Research and Development

Our research and development expenses were approximately RMB142.0 million, RMB295.6 million and RMB376.9 million in 2023, 2024 and 2025, respectively, representing approximately 57.2%, 72.9% and 40.0% of our revenue and approximately 16.6%, 29.6% and 28.9% of our net losses in those years.

Our research and development expenses remained high during the Track Record Period because commercializing solid-liquid hybrid and all-solid-state batteries required broader and more intensive development work than is typically required for more mature liquid-electrolyte batteries. In addition to battery materials, our research and development activities also covered cell design, manufacturing processes and production equipment, including process development for our transfer-printing deposition and cell assembly processes and the in-house design and manufacture of our automation equipment. These expenditures were incurred before large-scale commercialization and meaningful revenue contribution could be achieved and therefore placed significant pressure on our profitability during the Track Record Period.

Early-Stage Commercial Expansion

During the Track Record Period, we prioritized expanding delivery volumes and revenue to support early-stage commercialization. Scaling product deliveries enabled us to validate our technology in real-world applications, build mass production experience, and strengthen relationships with key customers. As our delivery track record expanded, particularly for our EV battery products, we gained access to higher-value vehicle programs, including hybrid electric vehicle (HEV), plug-in hybrid electric vehicle (PHEV), and extended-range electric vehicle (EREV) models.

BUSINESS

At the same time, our operations were concentrated in the China market, the world’s most competitive lithium battery market. To acquire customers and secure participation in key vehicle programs, we adopted commercially competitive pricing strategies. These decisions, intended to accelerate customer adoption, placed additional pressure on gross margins. Together, high early-stage production costs and margin impact from competitive pricing explain the gross losses recorded during the Track Record Period.

Path to Profitability

We are working to improve our financial performance and move toward sustained profitability through the following interconnected drivers: expanding customer programs and order volume, improving gross margin through mass production, reducing material and manufacturing costs through technology and supply chain measures, broadening access to overseas markets and higher-value applications, and improving operating leverage as revenue grows. This pathway is intended to address the main factors that contributed to our historical losses during the Track Record Period, including early-stage commercialization, low effective utilization, high upfront research and development and manufacturing investment, and operating expenses incurred ahead of larger-scale revenue generation.

Customer Expansion and Order Growth

Customer expansion and the increase in order volume from existing customers are key drivers of our path to profitability. In our business, customer relationships are typically built through long development cycles, product validation, joint engineering and delivery execution. Once a supplier has completed the relevant qualification and delivery stages, stronger customer relationships can support additional model nominations, broader product penetration and higher order volume over time.

EV battery customer relationships and demand visibility

For our EV battery product, we have already established cooperative relationships with leading automotive OEMs, including SAIC Group and BAIC Group. We also intend to place particular focus on expanding into higher-value, higher-margin vehicle segments, especially hybrid vehicles and premium models. In addition, we have entered into agreements with certain leading automotive OEMs regarding their procurement of our battery products.

We are deepening cooperation with key customers through product development, technical support and delivery execution, with a view to increasing supply under existing customer programs and securing additional customer programs over time. For products that have already entered commercialization, we are supporting additional vehicle model introductions and broader installation across customer vehicle platforms. Through these efforts, we aim to increase shipment volume and improve revenue visibility over time. For jointly developed products, we continue to work with automotive OEMs and other industry participants through joint laboratories, joint ventures, innovation consortia and other collaborative arrangements so that our battery development is aligned more closely with customers’ vehicle planning and model development processes. Under this model, automotive OEMs typically propose target requirements for performance, safety, low-temperature operation, packaging and other key parameters at an early stage, and we participate in product adaptation and battery system optimization accordingly, including battery structure and BMS coordination where appropriate. Through this collaboration model, we seek to strengthen customer stickiness, improve the efficiency of product designation and increase the likelihood that our products will be adopted in follow-on models. The internal memo also indicates that the Company intends to apply the experience accumulated with SAIC Group to additional OEM relationships through joint research and development and customer-specific product adaptation to improve customer conversion efficiency over time.

BUSINESS

ESS customer and partner expansion

For our ESS battery products, we intend to expand cooperation with industry participants by leveraging our core strengths in battery cells and battery modules. In grid-scale energy storage projects, key project/areas; compatibility’ recognition; including in overseas markets where project margin profiles are generally higher than domestic projects, we intend to strengthen our alliances with storage investors, EPC contractors, PCS suppliers and suppliers of auxiliary materials and components through business alliances to pursue business opportunities and facilitate coordinated project delivery. We also plan to cooperate with partners in the development of products tailored for large-scale ESS applications, including products with strong high- and low-temperature adaptability and long cycle life, and to participate with partners in relevant third-party certification processes where required by end customers or project specifications. For industrial, commercial and residential ESS products, we plan to build on our standardized battery modules and continue refining product offerings to improve deployment efficiency and expand repeat business.

Expansion into higher-value vehicle segments and emerging sectors

Beyond our existing EV battery customer relationships, we are actively targeting higher-value vehicle segments where unit pricing is more favorable and which we expect to contribute to our path to positive gross margins. In particular, we are targeting the hybrid electric vehicle (HEV) market, where our solid-liquid hybrid batteries offer meaningful performance advantages over conventional battery technologies, including high charge-discharge rates, extended cycle life and wide operating temperature range.

We are in advanced engagement with a leading automotive OEM for the supply of our solid-liquid hybrid batteries as standard-fit batteries for its HEV models, with mass production delivery expected to commence in 2027, and we expect this to become one of our primary revenue contributors over the next three years. We are also continuing to develop products targeting plug-in hybrid electric vehicle (PHEV) and extended-range electric vehicle (EREV) applications, which similarly command higher unit pricing and margins.

In addition to our EV and ESS battery businesses, we are actively developing a new avenue for growth by addressing emerging demand from AI terminal devices, robotics, and low-altitude aviation markets. We have established cooperative relationships with a number of innovative companies active in these sectors. Products for these applications are subject to more stringent performance specifications, including lower weight, higher energy density and tighter safety and reliability standards, and accordingly command higher unit value and margins. We believe these emerging applications represent an important foundation for our longer-term development.

Margin Improvement Through Manufacturing Scale

We are actively driving gross margin improvement by scaling production volume and increasing fixed-cost absorption across our manufacturing base. During the Track Record Period, our capacity utilization remained at a relatively low level because we were still completing line ramp-up, product validation and pre-production runs for customer programs that had not yet entered broader commercial delivery. As a result, our output was not sufficient to absorb fixed manufacturing costs, including depreciation and amortization, fixed labor and energy costs, which placed significant pressure on our gross margin. This was particularly the case because, during the early stage of commercialization, a meaningful portion of our manufacturing activities still related to process and material optimization, equipment commissioning and line qualification, and pilot production, rather than stable commercial

BUSINESS

mass production. These activities were necessary to support customer validation and future commercialization, but they also reduced overall production efficiency and limited our ability to absorb fixed costs over a larger output base.

Going forward, we are working to reduce unit costs as production expands, primarily by improving fixed-cost absorption and increasing production yield.

Improved fixed-cost absorption as production stabilizes. We are moving customer programs from engineering samples, pilot production and validation runs to more stable batch delivery, while continuing to expand capacity, improve production continuity and increase capacity utilization. Through these efforts, we are increasing the proportion of our manufacturing activities that consists of routine commercial production rather than lower-efficiency, non-routine activities. This allows us to absorb fixed manufacturing costs, including depreciation and amortization, fixed labor and energy costs, over a larger and more stable output base, thereby reducing unit manufacturing cost.

Production scale, dedicated lines and reduced changeover losses. We are actively expanding production scale and restructuring our production line configuration to drive further cost reduction. Currently, each of our battery production lines is required to accommodate multiple battery products with different sizes, models and materials, which results in frequent changeovers that reduce effective utilization and increase time loss and raw material waste. To address this, we are establishing dedicated production lines for selected high-volume products, reconfiguring our production scheduling to group compatible products and minimize switchover frequency, and implementing standardized changeover procedures to reduce downtime where multi-product lines remain necessary. These measures are already improving production efficiency, and their impact is expected to become more pronounced as production volume increases and more output is concentrated on selected high-volume products.

More efficient capacity ramp-up and routine production. As part of our capacity expansion and ramp-up efforts, we are also improving execution efficiency in bringing new production capacity online and transitioning programs from engineering samples, pilot production and validation runs to more stable batch delivery. This transition is important because customized production activities typically involve lower utilization, more frequent line adjustments, lower yields and higher unit costs than sustained commercial production. By dedicating a greater portion of our capacity to routine and stable commercial production, we aim to strengthen fixed-cost absorption, lower unit raw material consumption, improve the use of labor, utilities and equipment, and reduce the proportion of validation and pilot-production activities in our manufacturing operations.

Material Cost Reduction Through Technology Advancements and Economies of Scale

Technology-Driven Cost Reduction

Product architecture and material innovation to reduce material cost. In battery manufacturing, cathode materials and other key inputs account for a significant portion of product cost. Many high-energy-density batteries rely on nickel- and cobalt-based materials, which generally cost more. By contrast, we continue to pursue technology-driven cost reduction by improving our overall product architecture and building integrated product advantages that allow us to develop and use new materials with more attractive cost-performance profiles, enabling cost reduction from the source by lowering bill-of-materials (BOM) costs, i.e. the aggregate cost of the raw materials and components that go into each battery. In particular, as of the Latest Practicable Date, we have developed manganese-based cathode material portfolio, the costs of which are generally lower than those of established LFP cathode materials and approximately 30% of NCM cathode materials, while operating at a higher voltage that

BUSINESS

enables greater energy density, thereby reducing the overall cost of the battery pack. We believe this approach can improve the overall value proposition of our products by continuously balancing cost, safety and performance more effectively through technology-driven cost reduction.

Process development for different material systems to reduce manufacturing cost. We continue to develop and refine manufacturing processes tailored to different material categories. For each material category we commercialize, we actively map process parameters, identify key variables affecting yield and cost, and establish standardized process protocols that can be consistently applied across production lines. New materials and new processes typically start from a higher-cost base at the early stage of commercialization; as we refine and stabilize our processes and scale up production volumes, we expect unit manufacturing costs to decline progressively. We are currently at the early stage of commercialization of solid-liquid hybrid and all-solid-state batteries, and we are taking steps to accelerate this cost reduction trajectory: we are building dedicated process libraries for different material systems, training specialized process engineers for each production line, and systematically reducing process variability through data-driven optimization. As our product portfolio expands and commercialization progresses, we expect these efforts to improve manufacturing efficiency, reduce process loss and support more cost-effective large-scale production.

Scale-Driven Cost Reduction

Yield improvement and manufacturing process maturity. We are also focused on improving yield and strengthening process stability as production volumes increase. At our current stage of ramp-up, certain manufacturing processes, including transfer-printing and cell assembly, remain subject to early-stage operational variability as we continue to refine process settings across different material systems and product specifications. To address this, we are optimizing key process parameters, refining process flows for different material portfolios, accumulating production know-how across critical manufacturing steps and strengthening scrap control and quality management throughout the manufacturing process. Over time, we expect these efforts to improve yield, reduce raw material losses and support more stable and efficient large-scale production.

Procurement scale and supplier optimization. We are actively expanding our supplier base and optimizing our procurement arrangements to reduce material costs as our production scale grows. Because our battery products, especially EV products, are still at an early stage of commercialization, our raw material and auxiliary material procurement costs have historically been affected by relatively limited purchase scale and the early stage of development of certain parts of the supply chain. For newer materials such as new separator materials, where the number of suppliers currently capable of meeting our requirements is limited, we have proactively initiated qualification processes for additional suppliers and are developing localized alternatives to broaden our approved supplier base and strengthen supply security. We are working directly with suppliers of newer raw materials to co-develop scale-up roadmaps and support faster cost reduction, and we estimate that unit costs for such materials could decrease over time. For auxiliary materials such as conductive agents, binders and casing components, we have identified and are qualifying secondary suppliers and localized alternatives to create competitive tension in our supply base and reduce unit procurement costs. We have also introduced, and are continuing to refine, volume-linked pricing mechanisms that tie purchase prices more closely to our procurement volumes, allowing us to capture cost reductions automatically as our order volumes grow. These measures are strengthening our procurement economics and supporting continued reductions in material costs as commercialization progresses.

BUSINESS

Supply security and raw material support. We have taken steps to strengthen cost control and supply security for key materials. In particular, we have established a lithium manganese oxide production facility at our Wuhai production base. We expect this facility to support our future cathode material requirements, improve supply stability and strengthen our ability to manage material costs as production scales.

Global Market Expansion

Our profitability is also expected to benefit from sales to international markets that support more favorable pricing and margin profiles than the domestic market.

Compared with the domestic market, such markets generally support higher average selling prices per Wh and more favorable gross margins. Deeper collaboration with automotive OEMs, combined with our growing internal capabilities, has strengthened our ability to negotiate more favorable price points for our products.

Our overseas expansion strategy differs by business line. In the EV battery business, overseas development will be driven primarily by the needs of domestic automotive OEMs and the integration of our products into export vehicle programs. We are engaged in discussions and project coordination with respect to a number of programs involving Chinese OEM customers expanding into overseas markets, and we intend to continue supporting their overseas expansion through product validation, certification progress and technical coordination. In the ESS battery business, we intend to expand overseas primarily through cooperation with partners that already possess established sales channels in their target markets. Under this model, we focus more on battery cells and battery modules, while our partners are responsible for downstream pack integration and terminal product adaptation based on local certification requirements and end-user needs in different jurisdictions and applications. This allocation of responsibilities is intended to improve market-entry efficiency while limiting the need for us to build a full downstream overseas platform at the initial stage.

In addition, our proprietary production equipment business provides an additional revenue stream. Revenue from sales of our in-house-developed transfer-printing machines and related equipment amounted to approximately RMB114.0 million, RMB115.0 million and RMB77.2 million in 2023, 2024 and 2025, respectively, with a gross margin of approximately 20.0%. As the solid-state battery manufacturing industry develops, we expect this business to continue to provide a solid source of revenue and gross profit.

Enhanced Operating Leverage

Operating leverage has been an important driver of net margin improvement as our revenue continues to grow. During the Track Record Period, our research and development expenses and general and administrative expenses remained high as a percentage of revenue because we incurred a substantial portion of these expenses before full-scale commercialization and revenue expansion. To improve profitability, we are not relying solely on revenue growth but also seeking to improve the efficiency with which we deploy research and development, management and selling resources as our business scales.

- **Research and development expenses.** Research and development expenses are expected to remain significant in absolute terms because we will continue to invest in advanced battery products, materials, processes and technologies. However, as our revenue grows and our products move further into mass production, research and development expenses as a percentage of revenue are expected to decline over time.

BUSINESS

Our research and development expenses remained at a high level during the Track Record Period because we incurred substantial upfront spending before large-scale commercialization could be achieved. In particular, we invested heavily in developing and validating key battery materials, manufacturing processes, production equipment and related manufacturing capabilities. These expenditures were necessary to move our products from laboratory validation to commercial production and large-scale delivery. A substantial portion of this earlier-stage work has already been completed for our principal products. As we move further into mass production, we expect our research and development efforts to focus more on product iteration, customer-specific adaptation, manufacturing optimization and next-generation upgrades, rather than on the earlier-stage work required to establish our initial commercial production capabilities. To improve the efficiency of our research and development spending, we intend to strengthen project prioritization, increase the reuse of validated material systems and process parameters across different projects where technically feasible, and concentrate more resources on projects with clearer commercialization prospects or stronger platform reusability. We also focus on shifting our research and development work gradually from foundational capability-building toward product iteration, customer-specific adaptation, manufacturing optimization and next-generation upgrades, which improve the conversion efficiency of research and development spending over time. As a result, although research and development expenses are expected to remain high in absolute terms, we expect their growth to be materially slower than revenue growth, which is expected to contribute to our operating efficiency over time.

- **General and administrative expenses.** We also expect general and administrative expenses to decline as a percentage of revenue over time, even if they increase in absolute terms as our business expands. Our general and administrative cost base consists primarily of compensation for management and specialist personnel, digital infrastructure, and overhead associated with our production bases in Kunshan, Jiangsu; Taizhou, Zhejiang; Chengdu, Sichuan; Wuhai, Inner Mongolia, and Shanghai.

To moderate the growth of these expenses, we have already established, and will continue to strengthen, an integrated management and digital operating framework that allows the same management structure to support a larger production footprint and revenue base. In particular, we have deployed, or are in the process of further integrating, enterprise systems to improve coordination across procurement, manufacturing, warehousing, engineering and product lifecycle management. We also plan to further standardize internal workflows, centralize selected support functions, strengthen budget management and continue linking talent incentives to operating and commercialization milestones in order to improve labor productivity and management efficiency. As our Taizhou, Zhejiang; Chengdu, Sichuan; Wuhai, Inner Mongolia and other production bases ramp up, we intend to use these systems and processes to support larger-scale operations without a corresponding increase in management overhead. This trend is expected to allow the growth in general and administrative expenses to remain significantly below revenue growth over time.

- **Selling and distribution expenses.** We expect selling and distribution expenses to remain at a relatively low level as a percentage of revenue because our business model does not depend on broad-based marketing expenditure. Instead, we build revenue primarily through long-term strategic relationships with major automotive OEMs and other key customers. In our EV battery business, we have built deep relationships with major customers, including SAIC Group and BAIC Group. We have strengthened our relationships with automotive OEMs through joint venture arrangements and long-term strategic cooperation. We intend to

BUSINESS

continue this strategy. Rather than relying on broad customer acquisition spending, we will continue to convert commercial engagement into collaborative research and development, product integration, technical designation and capacity coordination processes.

This model allows us to keep marginal selling costs relatively low once a customer program has been designated and enters mass production. To preserve this advantage as we scale, we intend to continue focusing our sales resources on key account coverage, technical-commercial coordination and long-term customer retention, rather than on extensive promotional spending. We also plan to deepen cooperation with designated customers through collaborative research and development, program-based support and capacity planning, which should further improve the conversion of customer relationships into recurring volume without materially increasing selling expense intensity.

Taken together, we expect our operating expenses to decline as a percentage of revenue over time, driven by revenue growth, improved operating efficiency and tighter cost control. We also expect profitability to improve as gross margin benefits from large-scale mass production, lower material and manufacturing costs and better procurement economics.

[REDACTED] should read this section together with the sections headed “Risk Factors,” “Financial Information” and “Future Plans and Use of [REDACTED]” in this Document, as well as the Accountants’ Report set out in Appendix I to this Document.

WAREHOUSING, LOGISTICS AND INVENTORY MANAGEMENT

We have established a structured management framework covering warehousing operations, logistics coordination and inventory control to support stable production, timely delivery and operational efficiency.

We operate centralized and standardized warehousing facilities for raw materials, semi-finished products and finished products. Our warehousing operations are managed in accordance with internal control procedures and applicable safety and environmental requirements, with designated storage conditions for different categories of materials to ensure product quality, safety and traceability. Inventory movements are recorded and monitored through standardized systems to support accurate tracking and control.

We have established coordinated logistics arrangements to support the transportation of materials and products across different stages of production and delivery. Our logistics management emphasizes safety, timeliness and cost efficiency. We work with qualified logistics service providers and adopt appropriate transportation solutions based on product characteristics, regulatory requirements and customer delivery schedules.

We implement inventory management practices aligned with our production planning and operational needs. Through coordinated inventory planning and monitoring mechanisms, we optimize inventory turnover, maintain appropriate inventory levels and reduce the risk of material shortages or excess stock. Inventory data are regularly reviewed to support production scheduling, capacity planning and operational decision-making.

We continuously review and optimize our warehousing, logistics and inventory management practices in line with business growth and technological advancement. By enhancing operational coordination, strengthening internal controls and improving management efficiency, we aim to support the stable and scalable development of our solid-state battery business.

BUSINESS

AWARDS AND RECOGNITIONS

The following table sets forth some of our recent major awards and achievements.

<u>Award Year</u>	<u>Award Name</u>	<u>Award Institution</u>
2024, 2025	Global Unicorn List	Hurun Research Institute
2025	2025 Technology Leadership Award	FOTON
2025	Quality Excellence Award	FOTON
2025	Enlightened Innovation Award	Beijing CAVAN
2025	2025 Outstanding Supplier Award for Concurrent Engineering	SAIC Group
2024	China Unicorn	Changcheng Strategic Consulting
2021–2025	Jiangsu Province Unicorn	Jiangsu Province Productivity Promotion Center
2024	Jiangsu Province Private Technology Enterprise	Jiangsu Private Science and Technology Enterprises Association
2024	2024 Promoting High-Quality Development of Small and Medium-sized Cities Special Contribution Enterprise	Guoxin Small and Medium Cities Index Research Institute
2023	National High-Tech Enterprise	Jiangsu Province Department of Science and Technology

BUSINESS

Award Year	Award Name	Award Institution
2023	Jiangsu Province Specialized and New Small and Medium Enterprise	Jiangsu Province Department of Industry and Information Technology
2023	“Science and Technology Innovation China” Emerging Enterprise	China Association for Science and Technology
2023	Investment Community Top 100 Technology and Innovation Companies List	China Science and Technology Innovation Investment Summit
2023	2023 “Future Stars — 21 High-Growth Innovative Companies of the Year” List	China Entrepreneur Magazine
2022	National Intellectual Property Advantage Enterprise	China National Intellectual Property Administration
2020–2022	Top 50 Leading Automotive Technology Companies	KPMG China
2021	2021 China New Energy Smart Vehicle Innovation Enterprise	CB Insights China
2020	Jiangsu Province Innovative Technology and Product Certificate	Jiangsu Province Automobile Industry Office
2020	2020 Forbes China Gazelles	Forbes China
2019	Best Innovation Award	Goodbaby Group Co., Ltd.

INFORMATION TECHNOLOGY

We believe that information technology is a critical enabler of our research and development capabilities, intelligent manufacturing, and efficient operations, and plays an important role in supporting our long-term growth in the solid-state battery sector. We have established an integrated information technology management framework covering research and development, production, supply chain, quality control, finance and office collaboration. Through unified planning and centralized deployment, our information systems support digitalized business processes, standardized management and data-driven decision-making across our operations.

Our information technology infrastructure is centrally managed by our Information Systems Department, which is responsible for overall information system planning, system implementation and upgrades, daily operation and maintenance, access control, data security and business continuity support. We have implemented internal policies and procedures governing system access, data management and information security, including account approval and revocation mechanisms based on the principle of least privilege, system monitoring and incident response procedures, and controls over data confidentiality and integrity.

BUSINESS

The following information technology systems are the most critical to our operations among our integrated information systems:

System	Description
Enterprise Resource Planning (ERP) System	Our SAP ERP system serves as the core platform integrating business and finance. It covers modules including financial accounting, management accounting, procurement management, inventory management, production planning, sales and distribution, and cost accounting. It realizes end-to-end integration and data unification from order, planning, procurement and production to finance.
Office Automation (OA) System	As the unified office and collaboration platform, it is mainly used for organizational personnel management, attendance management, various approval processes, announcements, document circulation, meeting collaboration and knowledge management, achieving mobile office, online processes and efficient collaboration.
Manufacturing Execution System (MES)	As the core system for battery production process control, it covers production scheduling, operation reporting, equipment networking, process monitoring, production traceability, and abnormal alarm and handling. It ensures a transparent, lean production process with full quality traceability.
Warehouse Management System (WMS)	Focusing on refined warehouse management of raw materials, semi-finished products and finished goods, it supports location management, inbound and outbound operations, batch management, stocktaking, first-in first-out (FIFO) and inventory alerting, improving warehouse efficiency and material control accuracy.
Product Lifecycle Management (PLM) System	As the management platform for battery R&D and technical data, it supports product design, drawing and technical document management, BOM management, R&D change control, process documentation and project collaboration, ensuring R&D data is unified, standardized, secure and traceable.

Through continuous investment in information technology and system integration, we aim to further enhance data governance and information security, improve operational efficiency and management transparency, and support the ongoing advancement of intelligent manufacturing and digital transformation across our business.

DATA SECURITY

In the ordinary course of our business, we collect and process certain data relating to customers, suppliers and other business partners. The data we collect primarily include: (i) basic contact information, such as names and contact details, used for business communication and after-sales services; (ii) transaction information, such as product models, quantities, transaction amounts and timing, used for financial accounting, operational management and statistical analysis; and (iii) website-related technical data, such as IP addresses and browser information, used for website administration and user experience optimization.

BUSINESS

We obtain the consent of customers and employees prior to collecting their information where required by applicable laws. To safeguard data security, we have established internal policies governing data classification, access control and information security management. Access to sensitive data is restricted to authorized personnel, and encryption measures are applied where appropriate. We maintain network security systems, including firewall and intrusion detection mechanisms, and implement data backup and recovery procedures to mitigate the risk of data loss. We conduct periodic internal reviews of our data protection practices and, where appropriate, engage external third parties in the future to assess compliance. We also provide employee training on data protection and monitor regulatory developments to update our internal policies and procedures as necessary.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material data leakage or material data loss incidents.

COMPETITIVE LANDSCAPE

We operate in the global EV battery and ESS battery markets through our solid-liquid hybrid and all-solid-state battery products. According to Frost & Sullivan, the global market for solid-liquid hybrid and all-solid-state batteries is at an early but rapidly accelerating stage of commercialization, driven by increasing requirements for higher energy density, enhanced safety performance and broader application scenarios across EVs, ESSs and emerging sectors. According to Frost & Sullivan, global shipments of solid-liquid hybrid and all-solid-state batteries increased from 0.4 GWh in 2022 to 6.0 GWh in 2025 and are expected to grow rapidly through 2030. The markets remain relatively concentrated, with a limited number of specialized technology-driven companies possessing the technologies, process know-how and equipment integration capabilities required for industrialization. According to Frost & Sullivan, we ranked first globally in the solid-liquid hybrid and all-solid-state battery market based on shipment volume in 2025, with a market share of approximately 33.6%, and approximately 44.8% in the China market. For further details regarding the industry landscape, market drivers and competitive position, see “Industry Overview.”

EMPLOYEES

As of December 31, 2025, we had 2,060 full-time employees. All of our employees were based in China. The following table sets forth the number of our employees by function as of December 31, 2025:

Function	Number of Employees	Percentage
R&D	610	29.6%
Manufacturing and Production	1,162	56.4%
Sales and Marketing	100	4.9%
General and Administrative	188	9.1%
Total	2,060	100.0%

In accordance with PRC laws and regulations, we participate in government-administered social welfare programs, including pension, medical, work-related injury, maternity and unemployment insurance, as well as housing provident fund contributions. Contributions are calculated based on employees’ prior-year salary levels, subject to statutory minimum and maximum thresholds set by local authorities. We have established a labor union in accordance with applicable laws. We enter into standard employment, confidentiality and non-compete agreements with senior management and key

BUSINESS

personnel. Non-compete obligations generally apply during employment and for up to two years following termination. During the Track Record Period, we did not experience any material labor disputes.

PROPERTIES

We own and lease certain properties in China primarily to be used as production facilities, R&D, warehouses and offices. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of December 31, 2025, none of our property interests of the Group’s non-property activities has a carrying amount of 15% or more of our consolidated total assets.

Owned Land and Properties

As of the Latest Practicable Date, we owned 16 parcels of land with a total gross land area of approximately 1,017,153.84 sq.m. and 13 properties with a total area of approximately 295,104.57 sq.m. located in China. These properties are primarily used for R&D, production and offices.

Leased Properties

As of the Latest Practicable Date, we had 4 leased properties for operational purposes in China with a total area of approximately 133,269.01 sq.m., primarily used for warehousing, R&D and offices. We are not aware of any title defects relating to these properties as of the Latest Practicable Date.

Lease Registration

As of the Latest Practicable Date, 4 lease agreements for our production and operating premises had not been registered or filed with the relevant PRC land and real estate administration authorities. The non-registration was due to the relevant lessors’ failure to provide the documents required for us to complete the registration and filing procedures.

As advised by our PRC Legal Adviser, failure to complete registration and filing does not affect the validity or enforceability of the lease agreements under PRC law, nor does it require us to vacate the leased premises. However, the relevant authorities may require us to complete the registration formalities within a prescribed period and may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease agreement.

Based on the number of affected properties and their locations, and taking into account the applicable statutory fine range, we believe that any potential penalties would not be material. In addition, we expect that, if necessary, we would be able to secure comparable alternative premises within a reasonable period without incurring material disruption to our operations or financial condition.

BUSINESS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Governance

We consider a robust environmental, social and governance (“ESG”) management framework to be a fundamental cornerstone supporting our long-term and sustainable development. As our business scale and the regulatory requirements applicable to our industry evolve, we continue to identify and assess ESG-related risks and monitor ESG management practices, and progressively incorporate relevant ESG considerations into our corporate governance framework and day-to-day business decision-making processes.

Governance structure

We have established an ESG governance structure under which the Board provides overall leadership and oversight and the management is responsible for implementation. The Board assumes ultimate responsibility for our overall ESG management approach, including our ESG-related risk management, and takes into account material environmental and social factors when discharging its governance responsibilities and making strategic and operational decisions. Our management is responsible for implementing the decisions and directions of the Board and for promoting the effective execution of ESG-related policies, measures and initiatives in our daily operations.

Through coordination and collaboration among internal departments, we seek to ensure that our ESG management requirements are effectively embedded in and implemented across our business operations. In particular, our Human Resources Department is responsible for matters relating to employee management and career development; our Procurement Department focuses on supply chain and supplier management; our Manufacturing Department is responsible for implementing energy-saving, work safety and compliance requirements in our production operations; and our Safety and Environmental Protection Division under our Manufacturing Department is responsible for matters relating to environmental protection and workplace safety management.

Supplier management

Given our need for a robust supply chain in our raw material procurement and production operations, we place emphasis at the governance level on environmental and social risks associated with the supply chain. Our Procurement Department takes the lead in conducting necessary qualification and compliance reviews on suppliers, covering, among other things, basic business qualifications, product quality documentation and environmental compliance information. Suppliers are required to satisfy the relevant requirements before being admitted as our business partners and are subject to ongoing management during the course of cooperation to support the stable operation of our supply chain.

ESG risk identification and management

In the course of our business operations, we focus on key risks related to ESG matters, including environmental compliance risks, risks relating to the use of energy and resources, and risks associated with supply chain stability. Our management identifies and assesses these risks by reference to the characteristics of our business and changes in the regulatory environment, and addresses such risks in our daily operations through compliance management, process control and internal coordination. The Board provides necessary oversight and guidance over our ESG risk management by being regularly informed of the relevant circumstances.

BUSINESS

Environmental

Taking into account the characteristics of our solid-state battery manufacturing business, we manage matters relating to resource use and emissions arising from our production and business operations and, through a systematic management approach, integrate environmental management requirements into our production and testing processes. We continuously monitor applicable environmental compliance requirements and implement corresponding management responsibilities to support the stable operation of our business.

Use of resources

We pay close attention to the use of energy in our production and business operations and, having regard to the actual operating characteristics of our solid-state battery manufacturing business, implement management over our energy consumption. During the Track Record Period, our energy consumption primarily comprised electricity, natural gas steam and petrol. Our energy use is set out in the table below.

Energy type	Unit	2023	2024	2025
Electricity	kWh	42,807,517.0	75,454,295.0	131,807,610.2
Among which:				
Green electricity	kWh	445,774.0	683,149.0	660,662.0
Natural gas	cubic meter	2,573.0	15,945.0	113,029.0
Steam	ton	55,497.9	118,900.1	183,987.8
Water	ton	167,969.9	193,191.0	359,246.6
Petrol	liter	36,430.7	49,219.4	56,953.6

During the Track Record Period, as our production capacity gradually expanded and our output ramped up, our demand for energy and water resources increased accordingly, and the level of such resource consumption was commensurate with our stage of business development. In terms of our energy mix, we have commenced the stable use of green electricity to support our daily production and operation needs. Going forward, taking into account our business development and the prevailing energy supply conditions, we will continue to monitor and explore further procurement of green electricity and, where practicable, gradually increase the proportion of clean energy in our overall energy mix.

BUSINESS

Emissions management

We implement standardized management of our production and testing processes in accordance with the requirements of the ISO 9001 quality management system and the relevant environmental management systems, and, by reference to the safety and environmental management measures under these systems, clearly delineate responsibilities and ensure the effective implementation of environmental management accountability. Through the management of our production processes, equipment operation and operating procedures, we exercise control over emission-related matters that may arise in the course of our production and business operations.

<u>Emission category</u>	<u>Unit</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Wastewater	ton	22,048.7	42,985.5	73,38.3
Non-hazardous waste	ton	343.4	324.5	3478.4
Hazardous waste	ton	79.6	422.7	358.1
Scope 1 emissions	ton CO ₂ e	89.7	148.2	376.0
Scope 2 emissions	ton CO ₂ e	24,207.2	42,750.4	74,956.1
Scope 3 emissions	ton CO ₂ e	N/A	N/A	N/A
Total GHG emissions	ton CO ₂ e	24,296.9	42,898.5	75,332.1
GHG emissions per revenue	ton CO ₂ e per RMB million	99.7	106.3	80.3

In our management practices, we focus on mitigating indirect emissions risks associated with our business operations, to the extent practicable, through measures such as optimizing supply chain management, improving logistics efficiency and encouraging energy-saving travel. We will assess and advance such measures in phases having regard to our stage of business development and their practical feasibility.

Environmental performance indicators and management

We will, having regard to our capacity expansion and actual operational needs, set phased environmental management targets within a practicable scope and implement such targets through measures such as energy-saving retrofits, use of clean energy and optimization of process management. Over the next three years, our key improvement focus areas will include:

- **Reduction in energy intensity:** On the basis of energy consumption per GWh production, we plan to reduce our overall energy intensity by approximately 3% over the next three years as compared to the 2025 baseline. Key measures will include optimizing production process parameters and operating strategies, enhancing the energy efficiency of key equipment, strengthening energy metering and sub-item management, and reducing unplanned downtime and inefficient operation in the course of production organization and maintenance management.
- **Increase in green electricity consumption:** We have already commenced the stable use of green electricity, and plan to further increase our green electricity use, subject to practicable supply conditions and pricing mechanisms.
- **Enhancement of Scope 3 emissions disclosure capability:** Over the next three years, we plan to gradually strengthen the identification and management of our Scope 3 greenhouse gas emissions and, subject to the progressive improvement of data availability and calculation methodologies, refine our mechanisms for collecting emissions data relating to upstream raw material procurement, logistics and transportation and other relevant activities, and explore expanding the scope of our Scope 3 emissions disclosure in subsequent reporting periods.

BUSINESS

Social

In respect of employment and employee management, we strictly comply with applicable labor laws and regulations and lawfully safeguard employees’ legitimate rights and interests in areas such as recruitment, remuneration, benefits and labor protection. We allocate human resources in a reasonable manner according to our business development needs and place emphasis on the stability and sustainable development of our workforce.

Employment and labor management

We strictly comply with applicable labor laws and regulations and carry out our employment management in accordance with the law in areas such as remuneration management, recruitment and promotion, working hours, leave arrangements and protection of employee rights and interests. We enter into employment contracts with our employees in accordance with the law, specifying the respective rights and obligations of both parties, as well as the job duties, working hours and relevant benefits arrangements.

In our day-to-day management, we lawfully ensure that employees enjoy statutory leave entitlements and implement internal promotion and performance appraisal mechanisms in accordance with our internal management policies. Employee remuneration and bonus arrangements are linked to performance appraisal results and are organized and implemented by the relevant departments to support employee development and our business needs.

Occupational health and safety

As a manufacturing enterprise, we attach great importance to providing a safe working environment for our employees and to potential occupational health risks. We require employees in relevant positions to comply with safety operating procedures during their work and to implement necessary labor protection measures. For positions involving occupational health risks, we arrange regular occupational health examinations for employees, including but not limited to tests relating to dust and noise exposure. Through the above measures, we continuously monitor the occupational health conditions of our employees and reduce the risk of occupational diseases.

Employee training and development

We place strong emphasis on employee training and capacity building and organize relevant training activities having regard to job requirements. All new employees are required to attend induction training, which covers our company rules and regulations and relevant management requirements. For technical positions, we organize job-specific skills and practical training according to production needs to enhance employees’ familiarity with production processes and equipment operation. The relevant training arrangements are coordinated by the Human Resources and Administration Department and are continuously refined in line with our business development needs.

Social responsibility

In the course of our daily operations, we pay attention to issues relating to corporate social responsibility and remain mindful of the impact of our business operations on our employees, supply chain and local communities. Having regard to our stage of development and actual circumstances, we will, where appropriate, evaluate the forms in which we participate in social responsibility-related activities and, on the basis of compliant operations, perform the social responsibilities that we ought to bear as a corporate citizen. As of the end of the reporting period, the Group has made charitable donations amounting to RMB130,000 in total to support social welfare initiatives.

BUSINESS

LICENSES, PERMITS AND APPROVALS

The following table sets forth a summary of the material licenses, permits and approvals that we have obtained for our business operations as of the Latest Practicable Date.

License/Permit/Approval	Holder	Issuing Authority	Issue Date	Expiry Date
Radiation Safety Permit	Suzhou Qingtao Power Technology Co., Ltd.	Jiangsu Ecological Environment Bureau	June 3, 2024	June 2, 2029
Radiation Safety Permit	Suzhou Qingtao New Energy Technology Co., Ltd.	Jiangsu Ecological Environment Bureau	December 19, 2024	November 24, 2027
Radiation Safety Permit	Qingtao (Kunshan) Energy Development Group Co., Ltd.	Jiangsu Ecological Environment Bureau	April 28, 2025	April 27, 2030
Radiation Safety Permit	Yichun Qingtao Energy Technology Co., Ltd.	Jiangxi Ecological Environment Bureau	June 9, 2025	June 8, 2030
Customs Registration of Consignee/Consignor	Jiangsu Qingtao Energy Technology Co., Ltd.	Huai'an Customs	March 15, 2017	N.A.
Customs Registration of Consignee/Consignor	Suzhou Qingtao New Energy Technology Co., Ltd.	Kunshan Customs	March 19, 2019	N.A.
Customs Registration of Consignee/Consignor	Qingtao (Kunshan) Energy Development Group Co., Ltd.	Kunshan Customs	February 2, 2021	N.A.
Customs Registration of Consignee/Consignor	Huizhou New Xinhui AUTOMATIC Equipment Co., Ltd.	Huizhou Customs	June 19, 2024	N.A.
Customs Registration of Consignee/Consignor	Taizhou Qingtao Foreign Trade Co., Ltd.	Taizhou Customs	April 23, 2025	N.A.
Customs Registration of Consignee/Consignor	Jiangsu New Xinhui AUTOMATIC Equipment Co., Ltd.	Huai'an Customs	April 26, 2025	N.A.
Customs Registration of Consignee/Consignor	Kashi Qingtao New Energy Technology Co., Ltd.	Kashgar Customs	January 29, 2026	N.A.
Pollutant Discharge Permit	Yichun Qingtao Energy Technology Co., Ltd.	Yichun Ecology and Environment Bureau	January 19, 2024	January 18, 2029
Pollutant Discharge Permit	Suzhou Qingtao New Energy Technology Co., Ltd.	Suzhou Ecology and Environment Bureau	May 15, 2024	May 14, 2029
Pollutant Discharge Permit	Chengdu Qingtao New Energy Technology Co., Ltd.	Chengdu Ecology and Environment Bureau	September 11, 2024	September 10, 2029
Pollutant Discharge Permit	Suzhou Qingtao Power Technology Co., Ltd.	Suzhou Ecology and Environment Bureau	September 2, 2025	September 1, 2030
Pollutant Discharge Permit	Qingtao (Kunshan) Energy Development Group Co., Ltd.	Suzhou Ecology and Environment Bureau	October 20, 2025	October 19, 2030
Pollutant Discharge Permit	Qingtao Power Technology (Shanghai) Co., Ltd.	Shanghai Jiading Ecology and Environment Bureau	January 4, 2026	January 3, 2031
Pollutant Discharge Registration for Fixed Pollution Sources	Jiangsu Qingyuan Construction and Development Group Co., Ltd.	Ministry of Ecology and Environment	September 13, 2021	September 12, 2026
Pollutant Discharge Registration for Fixed Pollution Sources	Huizhou New Xinhui AUTOMATIC Equipment Co., Ltd.	Ministry of Ecology and Environment	October 18, 2023	October 17, 2028
Pollutant Discharge Registration for Fixed Pollution Sources	Jiangsu Qingtao Energy Technology Co., Ltd.	Ministry of Ecology and Environment	February 20, 2024	February 19, 2029
Pollutant Discharge Registration for Fixed Pollution Sources	Jiangsu New Xinhui AUTOMATIC Equipment Co., Ltd.	Ministry of Ecology and Environment	May 10, 2025	May 9, 2030
Pollutant Discharge Registration for Fixed Pollution Sources	Jiangsu Qinghe Material Technology Co., Ltd.	Ministry of Ecology and Environment	May 13, 2025	May 12, 2030
Pollutant Discharge Registration for Fixed Pollution Sources	Qingtao (Wuhai) Energy Technology Co., Ltd.	Ministry of Ecology and Environment	July 22, 2025	July 21, 2030
Pollutant Discharge Registration for Fixed Pollution Sources	Guizhou North New Energy Technology Co., Ltd.	Ministry of Ecology and Environment	December 29, 2025	January 19, 2031

BUSINESS

We believe that we have obtained all necessary licenses and permits that are material to conduct our business operations as of the Latest Practicable Date. As of the Latest Practicable Date, as advised by our PRC Legal Adviser, all of our licenses and permits that are material to our operations in the PRC remained in full force and effect, and we were in compliance in all material respects with the terms of such licenses and permits.

INSURANCE

We maintain regular property insurance. However, the insurance may not be able to cover all potential injuries to our manufacturing facilities and equipment, death or losses due to fire, earthquake, flood or any other disasters. We also maintain accident insurance for certain employees and commercial supplementary insurance for certain key personnel. Consistent with customary industry practice in China, we do not maintain business interruption insurance. We believe our insurance policies as a whole are in line with the general market practice and comply with the relevant rules and regulations in China. See “Risk Factors — Risks Related to Our Industry and Business — Our insurance coverage may not be sufficient to cover losses and liabilities arising from various operational risks and hazards.”

COMPLIANCE AND LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. We are committed to maintaining the standards of compliance with the laws and regulations applicable to our business.

During the Track Record Period and up to the Latest Practicable Date, we were not a party to any actual or pending legal proceedings, which would have a material adverse effect on our business, financial position or results of operations as a whole.

Nevertheless, we may from time to time be subject to various legal claims and proceedings arising in the ordinary course of business. For example, our Group and one of our suppliers and its shareholders (the “**Plaintiffs**”) have been involved in a civil proceeding (the “**Claim**”) arising from commercial arrangement. The Plaintiffs filed claims before the Hailing District People’s Court of Taizhou seeking payment of processing fees, liquidated damages for late payment, tooling modification costs, and loss of expected benefits arising from contract termination, totaling approximately RMB28.0 million. As of the Latest Practicable Date, our Group has lodged a jurisdictional objection to the Plaintiffs action. As of the Latest Practicable Date, the foregoing proceeding remained at the first-instance stage and have not been concluded. In light of the foregoing and after consultation with our legal advisers in relation to this matter, our Directors are of the view that (i) the Claim by the Plaintiffs is without merit; and (ii) the Claim has not had, and will not have, any material adverse effect on our business, financial position or results of operations as a whole. We will continue to monitor the progress of the Claim and take such steps as we consider necessary and appropriate to safeguard the interests of our Group and Shareholders as a whole.

BUSINESS

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We are subject to various risks in the course of our business operations and have established internal policies and procedures intended to identify, assess and manage those risks. Our Board oversees our internal control framework and reviews its effectiveness, while our internal audit function evaluates risk management, internal control and governance processes. Our Board is responsible for the establishment and updating of our internal control systems, while our senior management monitors the daily implementation of internal control procedures across subsidiaries and functional departments.

We maintain a compliance risk assessment mechanism that reviews operational, regulatory and business-related risks across departments and functions. We have adopted and implemented comprehensive risk management policies covering key areas of our operations, including legal and regulatory compliance, internal control, intellectual property protection, human resources management and financial reporting. We have adopted anti-fraud policies governing employee conduct, reporting channels and disciplinary measures, as well as sanctions compliance policies applicable to sales and procurement activities. Where appropriate, we engage external professional advisers and conduct periodic internal reviews to confirm that required registrations, licenses, permits and regulatory filings remain valid and in good standing.

Internal Control Management

We have engaged an independent internal control consultant to perform a general internal control review on our internal control systems. Based on a sample-based review, certain deficiencies were identified, including the absence of certain formalized governance policies. We have since adopted and implemented appropriate remedial measures to address these matters. After the follow up review, the internal control consultant did not identify any further material internal control deficiencies on design aspect of internal control.

We have established risk management and internal control systems covering our principal operational functions, including research and development, procurement, manufacturing, warehousing and logistics, and sales. These systems also extend to general corporate functions such as human resources, financial management, asset management, intellectual property management, information system management and corporate governance, including decision-making processes. With respect to intellectual property management, we implement internal procedures to conduct IP searches and analyses prior to offering solutions to customers, periodically monitor published trademarks and patents, and update contractual arrangements with customers, suppliers and partners to safeguard our intellectual property rights.

We conduct periodic reviews of our internal control systems and update policies and procedures as necessary to reflect changes in business scale and operational complexity. We have established an internal audit function to monitor the effectiveness of our risk management and internal control systems on an ongoing basis. We have also adopted internal policies and procedures governing business conduct, anti-bribery and anti-corruption compliance, management of company assets, confidentiality, employee reporting and disciplinary procedures, emergency response measures and whistleblowing mechanisms. Anonymous reporting channels are available for employees to report suspected non-compliance, including bribery and corruption, and appropriate investigations and corrective actions are taken where necessary.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not experience any material breaches of our internal control policies and procedures.