

RISK FACTORS

An investment in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the section headed “Financial Information” in this document, before making an investment in our H Shares. These risks and uncertainties could materially and adversely affect our business, financial condition, results of operations or prospects. The trading price of our H Shares may decline due to any of these risks and uncertainties, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory environment which may differ significantly from those prevailing in other jurisdictions. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given will not be updated after the date hereof, and is subject to the cautionary statements in the section headed “Forward-looking Statements” in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY, GENERAL OPERATIONS, FINANCIAL POSITION AND PROSPECTS

We rely on market demand for our products and solutions from their downstream end markets. Any slowdown or decrease in downstream demand may have a material and adverse impact on our financial condition.

We are an integrated battery thermal safety solution provider. During the Track Record Period, our downstream end markets were mainly different end users of EV and BESS applications, such as EV OEMs and BESS integrators. Any material volatility or downturn in the downstream industries may reduce their demand for our products and solutions, which in turn may have a material impact on our business operations and financial condition. For example, changes in policies, technological innovation or other market dynamics may adversely affect these end markets. We cannot assure you that downstream demand for our products and solutions will remain at the same level as in the past or continue to increase in the future.

We may not be able to achieve our desired goals from our R&D efforts, which may negatively affect our competitiveness and profitability.

We have continuously invested in our R&D activities to develop new products and technologies, which we believe are crucial to our future development. We operate dedicated R&D and testing facilities equipped with constant-volume combustion systems, full-scale battery pack and battery system fire test rigs, aspirating detection test apparatus and fire suppression performance evaluation platforms. In addition to our in-house R&D capabilities, we actively engage in joint R&D collaborations with third parties, including domestic universities and research institutions. For FY2023, FY2024 and FY2025, our R&D expenses were approximately RMB66.8 million, RMB45.6 million, and RMB49.7 million respectively, representing 47.1%, 36.3% and 36.9% of our total operating expenses, and 28.5%, 11.8% and 5.4% of our total revenue, for the same periods respectively. Please refer to the section headed “Business — Research & Development” and the section headed “Financial Information” in this document for details.

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However, as our R&D activities may not proceed due to factors that are beyond our control, we cannot assure you that our R&D projects will be successful or be completed within the anticipated time frame and budget, or that our newly developed products will achieve wide market acceptance or enjoy the advantages as we expected. If we fail to keep up with the latest technological developments and industry trends, we may experience a decline in our competitive position. While we may successfully launch our new products, we cannot assure you that our customers will be receptive to our new products and we will achieve anticipated sales target or profit. For example, we are actively developing solution architectures for application scenarios at site or facility level involving multiple battery systems and facilities, such as parking facilities, charging hubs and BESS stations, so as to provide more comprehensive thermal safety management capabilities at site or station level. However, we cannot assure you that such solution architectures will be widely welcomed by the market in the future. Under such circumstances, our previous investment may not yield the expected returns.

In addition, we cannot assure you that our existing or potential competitors will not develop solutions, which are similar or superior to our solutions or more competitively priced. Due to uncertainties in the time frame for developing new solutions and the duration of market window for these solutions, there is a risk that we may have to abandon a solution or a potential solution that is no longer commercially viable, even after we have invested resources in the development of such product.

If we fail to respond appropriately in the above situations, our expenditures on R&D may not generate corresponding benefits, which may materially and adversely affect our business financial condition and results of operations.

Technological changes in the Li-ion battery industry could render our products and solutions uncompetitive or obsolete, which cannot be accurately predicted nor fully mitigated despite our best efforts in R&D.

The Li-ion battery industry is characterised by evolving technologies and standards that require efforts to improve and upgrade our products and solutions from time to time. Our competitors may develop EV and BESS products and solutions with better performance indicators through their R&D endeavors. To maintain our market position, keep pace with technological advances in industry and effectively compete in the future, we have been actively engaging in R&D which we consider crucial for us to maintain our favourable industry position and achieve sustainable development. Please refer to the section headed “Future Plans and [REDACTED]” in this document for details.

We may not be able to adjust our R&D objectives in a timely manner in the face of rapid technological changes in the Li-ion batteries industry. We cannot assure that we will successfully roll out and commercialise the next generation of EV and BESS products and solutions and generate a return from such R&D. If we fail to do so our business, prospects, financial condition and results of operations may be materially and adversely affected.

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We are exposed to risk of delays or defaults in payment by our customers which may materially and adversely affect our financial position.

We generally issue invoices to our customers for the outstanding payments after delivery of the products. The range of credit period granted by our Group to our customers is generally between 30 to 90 days for settling outstanding amounts. As at 31 December 2023, 2024 and 2025, trade receivables amounted to approximately RMB124.3 million, RMB233.2 million and RMB525.7 million respectively, whereas the respective trade receivables accounted for approximately 45.6%, 48.8% and 63.3% of our total current assets respectively. In addition, the turnover days for receivables were 200 days, 204 days and 175 days for FY2023, FY2024 and FY2025, respectively. For details of the trends in our trade receivables, please refer to the section headed “Financial Information” in this document.

We cannot assure you that our customers will be able to meet their payment obligations on time, or at all, or that our average trade receivable days will not increase. If there is any delay or default in payments by our customers, our financial position and operating cash flows may be materially and adversely affected.

We derived a significant portion of our revenue from a limited number of customers during the Track Record Period and may continue to be exposed to the risk of customer concentration subsequent to the Track Record Period.

During the Track Record Period, our customers primarily comprised various commercial EV OEMs, in particular manufacturers of heavy-duty trucks, and BESS integrators. In FY2024, Sinotruk Group was the fourth largest customer of our Group, accounting for approximately 8.3% of our total revenue. Our sales to Sinotruk Group had drastically increased thereafter and, in FY2025, it became the largest customer of our Group, contributing approximately 28.4% of our total revenue. Revenue generated from our top five customers for each year during the Track Record Period amounted to approximately RMB119.4 million, RMB191.9 million and RMB592.9 million, respectively, representing approximately 50.9%, 49.6% and 64.7% of our total revenue for the respective years. For further details, please refer to the section headed “Business — Our Customers” in this document.

Our revenue growth depends on our ability to maintain relationships with existing major customers and to develop new customers on an ongoing basis. We cannot assure you that we will be able to (i) retain or renew contracts with our existing customers, (ii) diversify our customer base, or (iii) secure new customers or projects of comparable size and profitability. Our top five customers’ mix continuously changed year-on-year during the Track Record Period. We cannot assure you that any of our major customers in one particular period will continue to contribute a similar proportion of revenue in subsequent periods. If there is any loss of major customers, reduction in order volume, failure to secure new contracts, delay or defaults in payment by our major customers and/or any financial difficulties experienced by our customers, it may materially and adversely affect our business, financial condition and results of operations, and may lead to significant fluctuations in our revenue.

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

Most of our sales are generated under contractual arrangements. Accordingly, we are required to regularly negotiate and enter into new contracts or purchase orders upon the completion or expiry of existing ones. We cannot assure you that we will be able to retain our existing customers, renew current contracts, or secure new contracts or purchase orders with customers of comparable scale or quality. Our customers may also reduce their business volumes with us or change their procurement plans as a result of their internal policies or other factors beyond our control. Any loss of major customers or material decline in the number or size of our contracts may materially and adversely affect our business, financial condition, and results of operations.

In addition, we cannot assure you that we will be able to effectively diversify our customer base or expand business relationships with new or existing customers. If we fail to do so, our business, financial condition, and results of operations may be materially and adversely affected.

We may be unable to manage working capital requirements and maintain adequate liquidity and cash flow

Our ability to effectively manage our working capital requirements and maintain adequate liquidity and cash flow is critical to our business operations and growth. Although we have implemented measures to monitor and strengthen our cash flow management, we cannot assure that we will not experience a deterioration in our cash flows or liquidity position in the future. If our working capital needs increase as a result of business expansion, changes in our business model, longer customer credit terms, adverse market conditions or other factors, and we are unable to obtain additional funding on acceptable terms or at all, our business, financial position, results of operations and prospects could be adversely affected.

We rely on the stability of our supply chain. Any loss or deterioration in our relationship with our key suppliers, any disruption in the supply of raw materials and components or any significant increase in the prices of raw materials and components could materially and adversely affect our business, financial condition and results of operations.

The production of our pack-level thermal management and fire prevention and control systems for Li-ion batteries relies on the stable supply of critical components including compressors, cylinders, valves, heat exchangers, pumps, sensors and electronic components. Prices and supply of these materials and components are affected by factors such as supply and demand dynamics, technological advances, supplier capacity constraints, logistics delays, and geopolitical factors. These items may also be affected to an extent by the prices of metals and commodities such as copper or fuel, the supply and prices of which may fluctuate depending on a number of factors beyond our control, including but not limited to the availability of upstream mining resources, market supply and demand, potential speculative activities, market disruptions and natural disasters.

Any future disruptions in the supply chain arising from raw material shortages, supplier capacity limitations, logistics disruptions or geopolitical tensions could delay our production schedules and affect our ability to deliver products to customers on time. In the event of industry-wide shortages of our critical components, our cost of materials and lead times could increase significantly. Moreover, if we are unable to procure parts that meet our quality requirements, we may be required to redesign equipment systems or incur higher substitution and sourcing costs.

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We currently purchase from multiple third-party suppliers to secure reliable and cost-efficient supply of materials and components; actively work to maintain stable relationships with key supplies; and adopt a dual-sourcing or multi-sourcing strategy to secure diversified procurement channels. Nevertheless, we cannot guarantee that our strategic arrangements with major suppliers will always ensure a stable sufficient and supply of our key materials and components. Our suppliers may also be unable to satisfy our quality standards or deliver materials in a timely manner. If our current suppliers are unable to satisfy our demand for raw materials, components or equipment, we may be required to seek alternative sources or implement other adjustment measures. If we fail to do so, or if we incur excessive costs in doing so, our manufacturing process could be significantly delayed, and we may be unable to deliver our products to customers as scheduled. Such disruptions, if prolonged or severe, may result in a decline in demand for our products and damage to our overall reputation. Accordingly, our business, financial condition and results of operations may be materially and adversely affected.

We recorded net liabilities and net current liabilities during the Track Record Period.

As at 31 December 2023, 31 December 2024 and 31 December 2025, we had net liabilities of RMB199.4 million, RMB301.7 million and RMB318.5 million, respectively, which were primarily due to an increase in redemption liabilities that arose from redemption rights granted to our [REDACTED]. As at the same dates, we recorded net current liabilities of RMB15.9 million, RMB344.4 million and RMB358.7 million, respectively, which were also primarily due to an increase in redemption liabilities that arose from redemption rights granted to our [REDACTED]. If we are unable to maintain adequate working capital or obtain sufficient financing, we may not have sufficient cash flows to fund our business, operations and capital expenditure and our business and financial position may be adversely affected. In addition, net current liabilities may expose us to certain liquidity risks and may constrain our operational flexibility, as well as adversely affect our ability to expand our business. If we do not have sufficient working capital to meet present and future financial needs, we may need to resort to additional external funding. Our inability to obtain additional external borrowings on a timely basis and on acceptable terms, or at all, may force us to abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

Our performance is subject to seasonality.

As affected by seasonality, the sales volume of our BESS applications in the first to third quarters of the year is generally lower than that in the fourth quarter of the year. For details, please refer to the section headed “Business — Seasonality” in this document. As such, comparisons of our operating results between different periods within a single financial year may not be necessarily meaningful and cannot be relied on as indicators of our performance. Our financial condition for future periods may continue to fluctuate from time to time due to seasonality.

The preferential tax treatment that we enjoyed may be changed or terminated.

During the Track Record Period, our Company and one of our subsidiaries were entitled to a preferential tax rate of 15% because we were each regarded as a “High and New Technology Enterprise”. Some of our subsidiaries operating in the Chinese Mainland are entitled to effective preferential tax rates of 5%. Please refer to Note 10 to the Accountants’ Report in Appendix I to this document for details.

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Preferential tax treatments and other incentives granted to us by the PRC government are subject to review and renewal and may be adjusted or revoked in the future. We cannot assure you that (i) the preferential tax treatments and other incentives in the PRC to which our subsidiaries are currently entitled would continue or be successfully renewed; and (ii) the local tax authorities will not, in the future, change their position and discontinue any or all of our current tax treatments. The discontinuation of any of our current tax treatments could materially increase our tax obligations and adversely impact our net income.

We may be subject to product liability claims and quality-related risks, which may materially and adversely affect our business operations, financial condition and reputation.

Our products are aimed to ensure safe performance of new energy batteries in high-stakes applications such as EVs and BESSs. Hence, product quality and safety are of paramount importance to us. Notwithstanding our strict quality control measures, given the complexity of our production processes and the long life cycle of our products, we cannot assure you that defects or failures will not occur in the future.

In the event that our products are alleged or found to be defective or non-compliant with specifications, we may be required to repair, replace, recall, redesign or even discontinue such products, and our customers may withhold payments, cancel orders or seek compensation. We may also face warranty or product liability claims that could result in substantial and unexpected expenditure, diversion of management attention and resources, damage to our business relationships and goodwill, and possible regulatory scrutiny. Furthermore, defective products may cause damage to the devices in which they are installed or lead to personal injury, which could expose us to lawsuits or proceedings brought by customers or end-users.

To conclude, any product defects, quality issues or related allegations, regardless of their merits, could materially and adversely affect our business, financial performance, results of operations, market reputation and prospects.

We may not be able to prevent others from unauthorised use of our intellectual property, which could harm our business and reputation.

Our success depends largely on our intellectual property, including proprietary technologies, trade secrets and knowledge relating to high-precision automation systems, control algorithms and manufacturing processes. As at the Latest Practicable Date, we had obtained 292 registered patents, 44 trademarks, 49 software copyrights, and one domain name in China; and we have applied for the registration of 53 patents and 15 trademarks in China, Hong Kong, the European Union, the United States and Australia. For details, please refer to the section headed “Business — Intellectual Property” in this document.

We are exposed to risks of unauthorised disclosure or misappropriation of our proprietary technology through employees, customers or other third parties. Competitors may reverse-engineer our products or recruit key personnel, diminishing our technological advantages and research returns. Any such technology leakage or loss of intellectual property protection could materially and adversely affect our business, financial condition and results of operations.

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Whilst we have adopted measures to safeguard our intellectual property, including internal policies, confidentiality agreements, patent applications, and pursuits of legal protections where available, the steps we have taken may still be inadequate in preventing misappropriation of our technologies, trademarks, trade names or other intellectual property, which may prove ineffective. Our inability to prevent others from unauthorised use of our intellectual property could harm our business, reputation and competitive positions. Further, we may have to enforce our intellectual property rights through litigation. Such potential litigation may result in substantial costs and diversion of resources and management attention, and we may also be subject to additional risks from the proceedings, outcome, the amount of damages that we can recover, and the enforcement process, thereby materially and adversely affecting our business, financial condition and results of operations.

We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could cause us to pay significant damage awards.

Our competitors may bring intellectual property infringement claims against us for the purposes of gaining competitive advantages over us. The defence and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert the efforts and resources of our technical and management personnel. If any claim is adversely determined against us in any of such potential litigation or proceedings, we could be subject to significant liabilities to third parties. As a result, we may be required to seek licences from third parties, pay ongoing royalties and/or redesign our products. We could further be subject to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our existing or potential customers deferring or limiting their purchase or use of our products until resolution of such litigation.

Our financial performance during the Track Record Period is not indicative of our future financial performance and our operating results may fluctuate significantly.

We experienced growth in revenue for FY2025 as compared with FY2024. While our revenue has increased for FY2025, the improved financial results are not indicative of our future financial performance. Our growth depends on a number of factors, including but not limited to the market trend and demand of our products, our business relationship with our customers, the implementation of our business strategies, the competitive landscape of the industry where we operate as well as the general economic conditions in the PRC, Hong Kong, and elsewhere in the world. Historical figures or past results should not be relied on as indicators of our performance. We cannot assure you that our growth will continue in the near future or at all.

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We may be subject to liabilities and disruption in operations in connection with accidents that occur during the manufacturing process at our production facilities due to, among others, failure to comply with safety measures and procedures.

In the course of operations and production, we implement and require our employees to comply with safety measures and protocols as stipulated in our internal policies. Nevertheless, we cannot assure you that our safety measures and protocols are strictly followed by our employees. As our manufacturing processes are complicated and inevitably involve operation of tools, equipment and machinery and use of chemical materials, accidents resulting in employee injuries or even deaths may occur. Such accidents may result in disruption of our operation and subject us to liabilities, and we may not have adequate or sufficient insurance to cover such liabilities, which could materially and adversely affect our business, financial condition and results of operations. For details, please refer to the paragraph headed “Risks Relating to Our Business and Industry, General Operations and Financial Position and Prospects — We may not have adequate insurance to cover losses and liabilities arising from various operational risks and hazards” in this section.

Our key managerial and technical personnel are critical to the success of our business and losing their services could adversely affect our business.

Our business success depends significantly on the expertise, leadership and contributions of our key managerial and technical personnel. In particular, our Directors and senior management, in particular Mr. Li and Ms. Cao, play a pivotal role in formulating and executing our business and expansion strategies, as well as maintaining relationships with key customers and stakeholders. Their experience, industry knowledge and forward-looking management concepts have been instrumental in driving our growth and strengthening our competitive positioning.

We also rely heavily on our senior technicians and other personnel with specialised skills for research and development, manufacturing, marketing and sales functions. These individuals possess unique expertise and knowledge that are crucial to our technological innovation, product development and overall operational efficiency. We place great emphasis on cultivating, recruiting and retaining management and technical talent, and have implemented various incentive schemes to motivate and stabilise our core team. However, competition for qualified personnel in our industry is intense, and the retention of key individuals depends on various factors, including market compensation levels and job satisfaction.

The loss of any of our key managerial or technical personnel, or our failure to attract and retain additional qualified personnel, could disrupt our operations, delay R&D programmes and/or product development timelines, and adversely affect our business performance, financial condition and results of operations. Moreover, recruiting and training replacements with equivalent experience and expertise could be time-consuming and costly. Although our key personnel are subject to confidentiality undertakings and non-compete arrangements, there can be no assurance that such undertakings or arrangements will be fully enforceable. If any of our management or other key personnel joins or establishes a competing business, our customer relationships and market position may be materially and adversely affected.

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We may be involved in legal proceedings and commercial or contractual disputes, which could have a material and adverse effect on our business, results of operations and financial condition.

We may be involved in legal proceedings and commercial or contractual disputes in the ordinary course of our business, which may expose us to additional risks and losses. In addition, we may have to pay legal costs associated with such disputes. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs, diversion of resources and management attention from our core business. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may have a material adverse effect on our reputation and our financial condition, results of operations and prospects.

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

The quality of our products and solutions is critical to our success. Therefore, we have a quality management system in place. The effectiveness of our quality management system depends on several factors, including the design of the system, the equipment used, the quality of our staff and related training programs and our ability to ensure that our employees adhere to our quality management policies and guidelines. We are required to comply with specific guidelines based on product safety and restricted and hazardous materials laws and regulations that are applicable in the jurisdictions into which we provide our products and solutions. Our safety standards for the inspection of our products are also based on relevant national and industry standards. We cannot assure you that our quality management system will continue to be effective or in compliance with relevant laws and regulations and standards. For details, please refer to the section headed “Business — Quality Control” in this document. Any significant failure in or deterioration of the efficacy of our quality management system could result in us losing accreditations and requisite certifications or qualifications, which could in turn have a material adverse effect on our business, financial condition and results of operations.

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

Our business is subject to a variety of operational risks, including but not limited to production disruptions due to operational errors, equipment failures and suspension due to other risks; operational restrictions imposed by environmental or other regulatory requirements; social and political unrest, environmental or industrial accidents, and catastrophic incidents such as fires, earthquakes, explosions, floods or other natural disasters; and geopolitical tensions, policy changes and intellectual property and technology protections. These risks may result in consequences including but not limited to damage to or destruction of production facilities, personal injury or casualties, environmental damage, monetary loss, and legal liability. The occurrence of any of these events may result in disruption of our operations and cause us to suffer substantial losses or incur significant liabilities. To manage these risks, we maintain a range of insurance policies, which cover, among others, endowment insurance, unemployment insurance, maternity insurance, work-related injury insurance and medical insurance. For details, please refer to the section headed “Business — Insurance” in this document for details. We may not have adequate or any insurance to cover these operational risks. We cannot assure you that our insurance will be adequate to

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cover our exposure to the foregoing risks. If we incur material losses or liabilities, and insurance is not adequate to cover such losses or liabilities, our business, financial condition and results of operations may be materially and adversely affected.

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

If any force majeure event or any event beyond our control happens, our customers may terminate the contracts, and they may only be required to compensate us under certain circumstances, such as damage to or loss of our products, and we may be forced to assume losses to the extent that our insurance coverage is inadequate in coverage. Any uninsured losses could materially and adversely affect our business, financial condition and results of operations.

In addition, our business operations are vulnerable to interruption and damage from unforeseen, hostile or catastrophic events. These events are often outside of our control and include acts of war, terrorist attacks, natural disasters, pandemics and extreme weather. Such events may materially and adversely affect the global financial markets and consumer confidence. Similarly, severe weather conditions may force us to temporarily suspend operations based on warnings from national meteorological departments or cause prolonged disruption of our business operations. We cannot assure you that acts of wars, terrorist attacks, pandemic, natural disasters and extreme weather or other force majeure events of similar magnitude will not occur and result in major damage to our business operations. If we fail to effectively manage these risks, our business, financial condition, results of operations, cash flow and prospects may be materially and adversely affected.

Changes in China's or the global economic, political or social conditions or government policies in the countries and regions where we operate could have an adverse effect on our business and operations.

All of our operations are located in China. Accordingly, our business, financial condition, and prospects may be influenced by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

Over the past three decades, the Chinese government has implemented economic reforms and industrial policies, and has made efforts to fully leverage market forces to foster economic development. The Chinese government has implemented various measures to encourage economic growth. Some of these measures may benefit the overall Chinese economy but may not have the same effect on us.

In addition, although all of our operations are based in China, we may still be adversely affected by global economic, political, and social conditions. The global economic, political and social conditions are evolving rapidly and are subject to uncertainties. For example, geopolitical tension and conflicts, volatility in energy prices, inflation risk, changes in the U.S. Federal Reserve's monetary policy and instability in the global financial system impose new challenges and uncertainties on the global economy. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term. Furthermore, sanctions and export control measures are unilaterally imposed by the U.S. or other jurisdictions from time to time. These measures may have a significant impact on targeted countries,

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markets and/or entities. Chinese companies may be affected by such sanctions or export control measures. We may also be exposed to risks in dealing with business partners subject to sanctions or export controls. As a result, we could be required to incur additional costs to comply with these regulations and measures and could face penalties for violations even if inadvertent.

RISKS RELATING TO THE LOCAL LAWS AND REGULATIONS OF THE JURISDICTION WHERE WE CONDUCT BUSINESS

Changes to the existing regulatory regime relating to the sectors where we operate our business may limit our ability to provide product offerings, thereby materially and adversely affecting our business and financial condition.

In recent years, the PRC government has, on many occasions, promoted the development of the Li-ion battery, new energy vehicle, and energy storage industries. New laws and regulations relevant to our business may be introduced in the future, or the current applicable regulations may otherwise be amended or replaced, requiring us to conduct business with additional oversight and regulatory compliance. There can be no assurance that we can adapt to the evolving regulatory environment swiftly enough or in a cost-efficient manner, failure of which may adversely affect our operations and lead to substantial costs. Meanwhile, we may need to implement changes in our facilities, equipment, personnel or services to comply with the latest laws and regulations, which may increase our capital expenditures and operating expenses, thereby materially and adversely affecting our business, financial condition and results of operations.

We are subject to laws as amended from time to time, regulations and governmental policies on market supervision and administration. Any actual or alleged failure to comply with related laws, regulations and governmental policies could damage our reputation, deter current and potential customers from using our products and services and could subject us to significant legal, financial and operational consequences.

We are subject to various laws and regulations in the PRC in which we operate and are required to obtain and renew various permits, licences, certificates, consents and other approvals from administrative authorities. Compliance with them may involve substantial financial and other resources to establish efficient compliance and monitoring systems. The liabilities, costs, obligations and requirements associated with these laws and regulations may cause interruptions to our operations. Non-compliance with the laws and regulations applicable to our operations may even result in substantial penalties or fines, suspension or revocation of our relevant licences, among other things. Such events could impact our business, financial condition and results of operations.

We are subject to risks arising from environmental protection and regulatory compliance requirements in the PRC.

Our business operations are subject to compliance with the national and local environmental protection laws and regulations of the PRC. Compliance with such regulations may necessitate the installation of additional pollution control equipment, adoption of cleaner production technologies, upgrading of existing facilities, and the obtaining of environmental permits and approvals. Any failure to comply with applicable environmental laws and regulations may result in fines, suspension of operations, or other penalties, as well as cause damage to our reputation.

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Moreover, as public and government scrutiny over carbon emissions and sustainability intensifies, manufacturers of new energy EV and BESS products are increasingly expected to deliver energy-efficient and environmentally sustainable solutions. This may lead to additional R&D expenditure and higher production costs. Failure to satisfy emerging regulatory or customer sustainability requirements could adversely affect our ability to secure business from leading battery manufacturers or other customers that place a strong emphasis on ESG compliance.

In addition, environmental and occupational safety incidents could lead to intensified inspections or enforcement actions by regulatory authorities. Any such incidents could disrupt our operations, increase our compliance and remediation costs, and materially and adversely affect our reputation, business, and financial performance.

Policies and regulations regarding foreign currency conversion may influence our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your investment.

Foreign currency exchange and remittances should be in compliance with relevant laws and regulations. We receive a majority of payments from our operations in the Chinese Mainland in RMB and may need to convert certain RMB into other currencies to fund our business activities outside of the Chinese Mainland, and for payment of dividends, if any, to holders of our H Shares, among other things. The convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the Chinese Mainland are subject to related regulatory requirements.

Under current foreign exchange regulations of the Chinese Mainland, payment of current account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE or its local branches through licenced banks for foreign exchange business, by complying with certain procedural requirements. If we cannot fulfill regulatory requirements over foreign currency conversion to obtain sufficient foreign currencies to satisfy relevant demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Prior registration and other procedures with competent government authorities are required where RMB is to be converted into foreign currency and remitted out of the Chinese Mainland to pay capital expenses.

Our operations are subject to and may be affected by amendments in PRC tax laws and regulations.

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

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Holders of our H Shares may be subject to PRC income tax obligations.

Under applicable PRC tax laws, both the dividends we pay to non-PRC resident individual holders of H Shares (the “**Non-Resident Individual Holders**”), and gains realised through the sale or transfer by other means of H Shares by such Shareholders, are subject to PRC individual income tax at a rate of 20%, unless reduced by applicable tax treaties or arrangements. The dividends we pay to, and gains realised through the sale or transfer by other means of, H Shares by non-PRC resident enterprise holders of H Shares are both subject to PRC enterprise income tax at a rate of 10%, unless reduced by applicable tax treaties or arrangements. With respect to Non-Resident Individual Holders, income received from transfer of stocks of [REDACTED] companies are currently exempt from individual income tax pursuant to applicable PRC regulations. However, the aforesaid regulations have not expressly provided that individual income tax shall be exempted from non-PRC resident individuals on the sale of shares of PRC-resident enterprises [REDACTED] on overseas stock exchanges. On 3 February 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (《國務院轉批發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On 8 February 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). According to these two documents, the PRC government may be introducing regulations or policies that have the effect of cancelling tax exemptions for foreign individuals on dividends obtained from foreign-invested enterprises. There is no assurance that any gains on the sales of our H Shares and the dividend thereon will not be subject to PRC income taxes in the future.

We may be subject to additional regulatory requirements relating to new laws and regulations in connection with overseas securities offerings and listings issued by PRC government authorities.

On 17 February 2023, the CSRC issued the Overseas Listing Trial Measures and five supporting guidelines, which became effective on 31 March 2023 (the “**Overseas Listing Regulations**”). The Overseas Listing Regulations are applicable to overseas securities offerings and listings conducted by issuers who are (i) companies incorporated in the PRC and (ii) companies incorporated overseas with substantial operations in the PRC. The Overseas Listing Regulations lay out the arrangements for regulatory filings for both direct and indirect overseas offerings, and clarify the determination criteria for indirect overseas offerings in overseas markets. For details, please refer to the section headed “Regulatory Overview — Regulations Relating to Overseas Listing” in this document. The Overseas Listing Regulations, or any pertinent rules or regulations promulgated in the future, may subject us or our financing activities to additional compliance requirements in the future. Any failure on our part to fully comply with the new regulatory requirements may significantly limit or completely hinder our future financing activities.

It may be difficult to effect service of process upon us or our management who reside in the PRC or to enforce against them in the PRC any judgments obtained from non-PRC courts.

We are a company incorporated under the laws of the PRC and all of our assets were located within the PRC. As at the Latest Practicable Date, all of our executive Directors and executive officers resided within the PRC. Judgments rendered by Hong Kong courts may be recognised and enforced in the PRC if the requirements set out by the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong

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Special Administrative Region (the “**Arrangement**”) (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) are met. Nonetheless, not all judgments of the Hong Kong courts may conform to the Arrangement or obtain recognition and enforcement from the PRC courts. It may be difficult for you to effect service of process within Hong Kong upon us or these persons.

RISKS RELATING TO OUR [REDACTED]

There has been no prior public market for our H Shares and there can be no assurance that an active market would develop, and the [REDACTED] and [REDACTED] of our H Shares may be volatile.

Prior to the completion of the [REDACTED], there has been no public market for our H Shares. There can be no guarantee that an active trading market for our H Shares will develop or be sustained after the completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our Company, the [REDACTED] (for themselves and on behalf of the [REDACTED]), which may not be indicative of the [REDACTED] at which our H Shares will be [REDACTED] following completion of the [REDACTED]. The [REDACTED] of our H Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

We have applied for [REDACTED] of and [REDACTED] in our H Shares on the Stock Exchange. A [REDACTED] on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the H Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the [REDACTED] of the H Shares will not decline following the [REDACTED]. In addition, the [REDACTED] and [REDACTED] of the H Shares may be subject to significant volatility in responses to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the [REDACTED] of the shares of other companies engaging in similar business may affect the [REDACTED] and [REDACTED] of our H Shares. In addition to market and industry factors, the [REDACTED] and [REDACTED] of our H Shares may be highly volatile for specific business reasons, such as regulatory developments affecting the relevant markets, industries and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our customers and suppliers, movements or activities of key personnel, or actions taken by competitors.

Future sales or perceived sales of substantial amounts of our H Shares in the [REDACTED] market could have a material adverse effect on the [REDACTED] of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholdings.

The [REDACTED] of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the [REDACTED] market, or the issuance of [REDACTED] or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future [REDACTED], could also materially and adversely affect our ability to raise capital at a specific time and on terms favourable to us. In addition, our shareholders may experience dilution in their holdings if we issue more securities in the future. [REDACTED] or share-linked securities issued by us may also confer rights and privileges that take priority over those conferred by H Shares.

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You will experience immediate dilution after the [REDACTED] and may experience further dilution if we issue additional Shares in the future.

The [REDACTED] of the H Shares is higher than the net tangible asset value per H Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] consolidated net tangible asset value. There can be no assurance that if we were to liquidate immediately after the [REDACTED], any assets will be distributed to our Shareholders after the creditors’ claims. If we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a shareholder. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, limiting our ability to acquire or license intellectual property rights or declaring dividends, or other operating restrictions.

The price of our H Shares may fall before trading begins due to the time lag between pricing and trading of the [REDACTED].

The [REDACTED] will be determined on the [REDACTED], which is expected to be [REDACTED]. However, the [REDACTED] will not commence trading on the Stock Exchange until the [REDACTED], which is expected to be on [REDACTED]. [REDACTED] may not be able to sell or otherwise deal in our H Shares during this period. Accordingly, holders of our H Shares are subject to the risk that the prices of our H Shares could fall before trading begins and could be lower than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur between the [REDACTED] and the [REDACTED].

A potential sale of Shares by our existing Shareholders could have a material adverse effect on our Share price.

Future sales by our existing Shareholders of a substantial number of our H Shares in the public markets after the [REDACTED] could materially and adversely affect market prices of our H Shares prevailing from time to time. Only a limited number of the Shares currently outstanding will be available for sale immediately after the [REDACTED] due to contractual and regulatory restrictions on resale. For further information, please refer to the section headed “[REDACTED]” in this document. Nevertheless, after these restrictions lapse or if they are waived or breached, future sales of a substantial number of our H Shares, or a perception of such impeding sales, could materially and adversely affect the market prices of our H Shares and our ability to raise equity capital in the future.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance whether and when we will pay dividends in the future.

We protect our Shareholders’ interest by ensuring a consistent dividend policy. For details, please refer to the section headed “Financial Information — Dividends” in this document. However, there is no assurance that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable laws and regulations of the PRC, the payment of dividends may be subject to certain limitations, and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under the HKFRS. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking

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into account various factors, including but not limited to, our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to approval at the general meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws and regulations of the PRC. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Under the existing foreign exchange regulations of the PRC, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural provisions. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenditure such as the repayment of loans denominated in foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

The future conversion of Unlisted Shares into H Shares upon completion of the [REDACTED] may increase the supply of H Shares in the market and may negatively affect the market price of our H Shares.

According to the stipulations by the CSRC and the Articles of Association, all of our Unlisted Shares may be converted into H Shares, and such converted Shares may be [REDACTED] or [REDACTED] on an overseas stock exchange. Any [REDACTED] or [REDACTED] of the converted Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchanges. However, the PRC Company Law provides that in relation to the [REDACTED] of a company, the shares of that company which are issued prior to the [REDACTED] shall not be transferred within one year from the date of the [REDACTED]. Therefore, shares currently held on our Unlisted Share register may be [REDACTED], after the conversion, in the form of H Shares on the Stock Exchange after one year of the [REDACTED], which could further increase the supply of our H Shares in the [REDACTED] and could negatively impact the [REDACTED] of our H Shares.

Our Controlling Shareholders are able to exercise significant influence over us. The interests of our Controlling Shareholders may not align with that of our other Shareholders.

Immediately upon the completion of the [REDACTED], without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], our Controlling Shareholders will control approximately [REDACTED] of the voting power at our Shareholders’ meetings. Our Controlling Shareholders will, through their voting power at the Shareholders’ meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the approval of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also

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discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our H Shares.

Forward-looking information may prove inaccurate.

This document contains certain statements that are “forward-looking” and uses forward-looking terminology such as “aim”, “estimate”, “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “may”, “might”, “plan”, “consider”, “potential”, “propose”, “seek”, “ought to”, “should”, “will” and “would” or similar expressions, or their negatives. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operation, liquidity and capital resources.

Purchasers of our [REDACTED] are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions may prove inaccurate. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set out in this section. We do not intend to update these forward-looking statements in addition to our continuing disclosure obligations pursuant to the [REDACTED] Rules or other requirements of the Stock Exchange. [REDACTED] should not place undue reliance on such forward-looking information. For details, please refer to the section headed “Forward-looking Statements” in this document.

We cannot guarantee the accuracy of facts, forecasts and other statistics derived from various official government publications contained in this document.

Certain facts, forecasts and other statistics in this document have been derived from various official government publications. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of these source materials. They have not been prepared or independently verified by us, the [REDACTED], the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or any of our or their respective affiliates or advisers and therefore, we make no representation as to the accuracy of such facts, forecasts and statistics.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts, forecasts and statistics in this document may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Furthermore, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. Therefore, our [REDACTED] should consider carefully how much weight or importance should be attached to or placed on such facts, forecasts and statistics and should not unduly rely upon such facts, forecasts and statistics.

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

We strongly caution our [REDACTED] not to unduly rely on any information contained in press articles or other media regarding us and the [REDACTED]. Before the publication of this document, there may be press and media coverage which contains certain information regarding the [REDACTED] and us that is not set out in this document. We have not authorised the disclosure of such information in any press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this document is inconsistent or conflicts with the information contained in this document, we disclaim it. Accordingly, [REDACTED] should not rely on any such information.