An [**REDACTED**] *in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an* [**REDACTED**] *in our Shares. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the* [**REDACTED**] *of our Shares could decline, and you may lose all or part of your* [**REDACTED**].

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

The rapidly evolving and competitive nature of the sustainable energy industry makes it difficult to evaluate our business and future prospects. We expect to face increased competition as new and existing competitors introduce products or develop alternative technologies, which could negatively impact our business, financial condition and results of operations.

The rapidly evolving and competitive nature of the sustainable energy industry makes it difficult to evaluate our current business and future prospects. We have limited insight into emerging trends that may adversely affect our business, financial condition, results of operations and prospects. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, including unpredictable and volatile revenues and increased expenses as we continue to grow our business.

Our energy storage system products segment, which accounted for 63.4% of our total revenue in 2025, faces intense competition from a broad range of market participants. The leading companies which are currently in the centralized energy storage segment may gradually deploy full-scenario energy storage businesses and enter into the user-side market. We compete primarily against energy storage inverter manufacturers, battery and integrated energy storage system solution providers, as well as emerging energy management technology suppliers that directly compete with our business. According to Frost & Sullivan, in 2025, the top five global residential energy storage inverter providers accounted for approximately 66.5% of the global shipment volume. Among them, we held a market share of approximately 10.2%. In 2025, the top five global hybrid energy storage inverter providers accounted for approximately 63.9% of the global shipment volume. Among them, we held a market share of approximately 8.3%. Several of our existing and potential competitors in the energy storage market are significantly larger than we are and may have greater financial, marketing, distribution, and customer support resources, and may have significantly broader brand recognition. These competitors may be able to develop new products more quickly than we can or develop products that are more reliable or provide more functionality than ours. Significant developments in alternative technologies, such as advances in other forms of storage products such as batteries, the widespread use or adoption of fuel cells for residential or commercial properties, or improvements in other forms of distributed energy products, may have a material adverse effect on our business and prospects. Any failure by us to adopt new or enhanced technologies or processes, or to react to changes in existing technologies, could result in product obsolescence, the loss of competitiveness of our products, decreased revenue and a loss of market share to competitors. Therefore, our business, results of operations and financial condition could be adversely affected.

We may experience fluctuations in our business and financial performance.

We achieved revenues of RMB5,362.8 million, RMB4,475.6 million and RMB5,232.9 million in 2023, 2024 and 2025, respectively. We also generated net profit of RMB843.3 million, RMB19.9 million and RMB412.6 million in 2023, 2024 and 2025, respectively. In the future, our revenues and profit may not grow at the pace we anticipate, or may decline for a number of reasons, many of which are outside our control, including a decline in demand for our products, increased competition, a decrease in the growth of the sustainable energy industry, or our failure to continue to capitalize on growth opportunities. If we fail to maintain sufficient revenue or profit to support our operations, we may not be able to grow our business.

In addition, we expect to incur additional costs and expenses as we continue to develop and expand our business, including those related to ongoing product development and marketing, upgrading our own manufacturing facilities, expanding into new product markets and geographies, maintaining and enhancing our R&D capabilities and hiring additional personnel. We do not know whether our revenues and profit will grow rapidly enough to absorb these costs or the extent of these expenses or their impact on our results of operations.

If demand for distributed energy products does not grow or grows at a slower rate than we anticipate, our business will also suffer. Our revenues are primarily derived from products and services including energy storage system products and PV inverters. Our future success depends on the continued demand for distributed energy products and the ability of vendors to meet this demand. The sustainable energy industry is an evolving industry that has experienced substantial fluctuations in recent years, and we cannot be certain that consumers or businesses will adopt distributed energy products as an alternative energy source at levels sufficient to grow our business.

The continued growth in demand for distributed energy products, and in turn, our products, may be impacted by many factors outside of our control, including:

- the pace of transition from fossil fuels towards sustainable energy and increased electrification in the global market;
- market demand for distributed energy generation, storage and management products;
- cost competitiveness, reliability and performance of distributed energy products compared to conventional and non-solar sustainable energy sources and products;
- market acceptance of our products as part of distributed energy products;
- costs and availability of key raw materials and critical components used in the production of distributed energy products;
- the availability and amount of government subsidies and incentives to support the development and deployment of distributed energy products;
- the extent to which the electric power industry and broader energy industries are deregulated to permit broader adoption of solar electricity generation;
- costs of traditional carbon-based energy sources;
- levels of investment by end-users of PV energy products, which tend to decrease when economic growth slows;
- the emergence, continuance or success of, or increased government support for, other alternative energy generation technologies and products; and
- trade restrictions, tariffs or geopolitical tensions affecting global supply chains or cross-border trade in energy storage system products.

If demand for distributed energy products, including energy storage system products and PV inverters does not grow, demand for our products and services will decrease, which would have an adverse impact on our ability to increase our revenue and grow our business. Short-term demand and supply imbalances may cause prices for solar technology products to decline. Furthermore, competition in the sustainable energy industry may further increase due to the emergence of lower-cost manufacturers along the entire solar value chain causing further price declines, excess inventory and oversupply. These market disruptions may continue to occur and may increase pressure to reduce prices, which could adversely affect our business and financial results.

If we fail to keep up with rapid changes in hardware and software technologies, our future success may be adversely affected.

We utilize various technologies, including power electronics and energy conversion technologies, lithium battery management technologies, AI-empowered energy management and digital control technologies, and the application of AI technologies to improve product performance. The success of our business will depend, in part, on our ability to adapt and respond effectively to the technology development in hardware and software technologies on a timely basis. If we are unable to design products that catch up with such trend in a timely manner, our market share may shrink and our results of operations and financial conditions may be negatively impacted.

If we are unable to develop new products that satisfy our customers and provide enhancements and new features for our existing products that keep pace with rapid technological and industrial change, our business, results of operations and financial condition could be adversely affected. If our competitors are able to deliver more efficient, convenient and secure products and services at lower prices by using new technologies, it could adversely impact our ability to maintain and increase our market share.

Our products may be launched and used on a variety of hardware, and software platforms, and we need to continuously modify and enhance our products and services to adapt to changes and innovation in these technologies. Technology and process issues across the entire operating platform can negatively impact the performance of our products. Any failure of our products to operate effectively with evolving or new platforms and technologies could reduce the demand for our products. We must continue to invest substantial resources in R&D to enhance our technology. If we are unable to respond to these changes in a cost-effective manner, our products may become less marketable and less competitive or obsolete, and our business, results of operations and financial condition could be adversely affected.

If we are unable to execute our strategies effectively, our business and prospects may be materially and adversely affected.

Our business, results of operations and financial condition depend in part on our ability to effectively implement our growth strategies. For example, to expand our production capacity and support our growth, we are expanding our manufacturing facilities in Huizhou and developing additional production capacity in Vietnam as part of our overseas manufacturing strategy. Our overseas production expansion, particularly in Vietnam, is intended to strengthen our global manufacturing footprint and enhance supply chain resilience. In addition, we must continue to hire, train and effectively manage new employees. If new hires perform poorly or if we are unsuccessful in hiring, training, managing and integrating new employees, our business, financial condition and results of operations may be materially harmed. We may have limited or no experience for certain new product offerings, and our expansion into these new product offerings may not achieve broad acceptance. In addition, these offerings may present new and difficult technological or operational challenges, and we may be subject to claims if our users are not satisfied with the quality of the products or do not have satisfactory experiences in general. To effectively manage the expected growth of our operations and personnel, we will need to continue to improve our technological, operational and financial systems, policies, procedures and controls. All these endeavors involve risks and will require significant managerial, financial and human resources. There is no assurance that we will be able to effectively manage our growth or to implement all these systems, procedures and control measures successfully or that our new business initiatives will be successful. If we are not able to manage our growth or execute our strategies effectively, our expansion may not be successful and our business and prospects may be materially and adversely affected.

We are expanding our production capacity in Vietnam to support our business growth and strengthen our global manufacturing footprint. Expanding and operating manufacturing facilities in Vietnam involves uncertainties and challenges as we are less familiar with, among others, local regulatory practices and customs, local suppliers, labor markets and the overall business environment. If we fail to recruit qualified and experienced personnel or successfully manage our Vietnamese operations, our expansion strategy in Vietnam may not generate the cost efficiencies and economies of scale that we expect. We cannot assure you that we will be able to effectively manage our manufacturing operations in Vietnam or integrate our Vietnam operations into our existing operations in a cost-effective manner. Any failure to effectively manage our Vietnam expansion may materially and adversely affect our ability to capitalize on new business opportunities, achieve our operational objectives and further strengthen our market position. In addition, our operations in Vietnam require compliance with local labor and employment regulations, including requirements relating to work permits for foreign employees. While we have taken steps to ensure compliance with applicable foreign labor management requirements, any failure or delay in obtaining or maintaining necessary permits or approvals could expose us to administrative penalties or operational disruptions, which could adversely affect our business and results of operations.

We have a limited operating history in some of our business lines, which may make it difficult to evaluate our current business to date and to predict our future performance.

We have limited experience in certain key aspects of our business operations, such as AI-empowered energy management systems. It is difficult to predict our future revenues and appropriately budget for our costs and expenses, and the evaluation of our business and prediction about our future performance may not be as accurate as they would be if we had a longer operating history with respect to these key aspects. As our business develops or in response to competition, we may continue to introduce new products, make adjustments to our existing products, our business model or our operations in general. Furthermore, the global sustainable energy industry is undergoing constant change. The laws and regulations governing the global sustainable energy industry may also be subject to further changes and interpretation. As the market, the regulatory environment or other conditions evolve, our existing products may not continue to deliver the expected business results. Our limited operating history in these business lines makes any assessment of our future success or viability subject to significant uncertainty. We will encounter risks and difficulties frequently experienced by companies in rapidly evolving fields. If we do not address these risks successfully, our business will suffer, and accordingly these risks may cause potential [**REDACTED**] to lose substantially all of their [**REDACTED**] in our business.

Increases in the cost or shortages of raw materials could have an adverse impact on our sales of products, and therefore adversely affect our business, results of operations, financial condition and prospects.

The cost and mass production of our products depends upon the prices and availability of raw materials, which have a significant impact on our cost of sales. In 2023, 2024 and 2025, material costs accounted for 76.7%, 75.5% and 78.3% of our cost of sales, respectively. See "Financial Information—Factors Affecting Our Results of Operations—Specific Factors Affecting Our Results of Operations—Ability to manage costs and improve operational efficiency" for more details. The prices of raw materials used in key components of our products, such as the cost of power semiconductors, integrated circuits, magnetic devices and battery cells, may fluctuate significantly due to changes in global supply and demand conditions and commodity market dynamics. For example, according to Frost & Sullivan, fluctuations in the prices of raw materials used in the energy storage and PV industries have led to corresponding changes in the prices of certain components used in energy storage systems and related products in recent years. In particular, the prices of battery cells used in our energy storage products may be affected by fluctuations in the prices of upstream mineral resources, such as lithium, nickel, cobalt and graphite. Any increase in the prices of such mineral resources may result in higher battery cell procurement costs and increase the production costs of our energy storage products. The prices and availability of these materials and components may continue to fluctuate depending on market conditions and global demand. If the prices of raw materials or components increase, our production costs may rise. We may not be able to pass these increased costs on to our customers in a timely manner, or at all, which could reduce our margins and adversely affect our results of operations.

Any interruption in the supply of limited-source components or raw materials used in our products, including power semiconductors, integrated circuits, magnetic devices and battery cells, could adversely affect our ability to meet scheduled product deliveries to our customers. Such disruptions could result in delays in sales, increased production costs, order cancellations or loss of market share. In addition, shortages of key components or raw materials, or increases in supplier lead times, may affect our ability to receive such components within previously expected timeframes, which could delay our production and delivery schedules.

We purchase some of our components and materials outside of China through arrangements with various suppliers. Political, social or economic instability in these regions, or in other regions where our components and materials are made, could cause disruptions in trade. Actions in various countries have created uncertainty with respect to tariff impacts on the costs of some of our components and materials. The degree of our exposure is dependent on, among other things, the type of materials, rates imposed, and timing of the tariffs. Other events that could also cause disruptions to our supply chain include: the imposition of additional trade law provisions or regulations; the imposition of additional duties, tariffs and other charges on imports and exports, including as a result of the trade war between China and the United

States; the potential imposition of restrictions on our acquisition, importation, or installation of equipment under future laws and regulations; quotas imposed by bilateral trade agreements; foreign currency fluctuations; natural disasters; public health issues and epidemic diseases, their effects (including any disruptions they may cause) or the perception of their effects; restrictions on the transfer of funds; the financial instability or bankruptcy of suppliers; and significant labor disputes. We cannot predict whether the countries in which our components and materials are sourced, or may be sourced in the future, will be subject to new or additional trade restrictions imposed by the relevant governments, including the likelihood, type or effect of any such restrictions. The shortage of global shipping capacity and geopolitical issues have affected global trade activities. Trade restrictions, including new or increased tariffs or quotas, border taxes, embargoes, safeguards and customs restrictions against certain components and materials, as well as labor strikes and work stoppages or boycotts, could increase the cost or reduce or delay the supply of components and materials available to us and adversely affect our business, financial condition or results of operations.

We depend on a limited number of suppliers for certain key components and raw materials in our products to adequately meet anticipated demand.

We depend on a limited number of suppliers for certain key components and raw materials used to manufacture our products, making us susceptible to quality issues, shortages and price changes. Such key components include, but are not limited to, certain semiconductors and magnetic devices, such as insulated-gate bipolar transistor, or IGBT, modules. Because there are relatively few suppliers of certain components used in our products, we may have limited ability to obtain sufficient quantities of such components in a timely manner or on commercially reasonable terms. In addition, any of these suppliers could cease supplying us, reduce production capacity, experience operational disruptions, cease operations or be acquired by, or enter into exclusive arrangements with, our competitors. If we are unable to obtain sufficient quantities of these components from our existing suppliers, it may be difficult for us to timely identify and qualify alternative suppliers on commercially reasonable terms. Transitioning to new suppliers or redesigning our products to accommodate components from different suppliers could result in additional costs and delays. If any of these events occur, our ability to manufacture and deliver our products to customers may be adversely affected, which could harm our business, financial condition and results of operations.

Our operations in the PRC and around the globe subject us to additional risks that could adversely affect our business, financial condition and results of operations.

We operate in China and globally. We are continuing to expand our international operations as part of our growth strategy. As of December 31, 2025, our products had been sold to approximately 190 countries and regions, and we had established 48 representative sites in 35 countries. Our current operations and our plans to expand our international operations have placed, and will continue to place, a strain on our employees, management systems and other resources.

As a result of our global footprint, we are subject to legal, regulatory, operational, economic, commercial and other risks associated with operations in multiple jurisdictions, including:

- increased costs associated with understanding local markets and maintaining an effective marketing and distribution presence in diverse jurisdictions;
- difficulties and costs associated with staffing and managing operations across multiple countries, including recruiting and retaining qualified employees;
- compliance with multiple, conflicting and changing governmental laws and regulations, including employment, tax, privacy and data protection laws and regulations, in order to obtain permits, licenses, and approvals necessary to manufacture, import, market and sell products;
- tariffs, export controls and other non-tariff barriers such as quotas and local content rules, and other import, export and customs requirements;
- adverse changes in international laws and agreements, especially those affecting trade and investment;
- more limited protection for intellectual property rights in some countries;

- risks associated with compliance with local tax laws and regulations, including disputes with local tax authorities on transfer pricing arising out of our intra-group transactions. In addition, as we conduct cross-border sales and distribution operations through our overseas subsidiaries, our intra-group transactions are subject to transfer pricing rules and regulations in the relevant jurisdictions;
- fluctuations in currency exchange rates, strict foreign exchange controls and cash repatriation restrictions;
- compliance with anti-bribery and anti-corruption regulations across jurisdictions;
- unanticipated changes in prevailing political and economic conditions, including the instability of governments, the threat of war, terrorist attacks, sanctions against certain countries or organizations; and
- legal systems in which our ability to enforce and protect our rights may be different and in which the ultimate result of dispute resolution is difficult to predict.

Our overall success depends, in part, on our ability to succeed in managing such risks. We may not be able to develop and implement policies and strategies that address these risks effectively in each location in which we conduct business, and there can be no assurance that our exposure to such risks, which may become greater as we expand our operations globally, will not adversely affect our reputation, business, results of operations and financial condition.

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

In recent years, there have been heightened geopolitical and trade tensions in international relations, particularly between the United States and China. These tensions have affected diplomatic and economic relations between major economies and created uncertainties in the global economy. Heightened tensions could reduce levels of trade, investment, technological exchange and other economic activities between major economies. In addition, governments around the world have adopted or proposed various trade and investment restrictions, including tariffs, export controls, economic sanctions and foreign investment review mechanisms. These measures may increase the costs of cross-border trade, disrupt global supply chains and create uncertainties in the markets in which we operate. As we continue to expand our international business and explore opportunities in overseas markets, including Americas, our business may be affected by such geopolitical developments and trade policies. For example, increased tariffs, export controls or other trade restrictions imposed by the United States or other countries on products manufactured in China may affect our ability to sell our products in certain markets or increase the costs associated with exporting our products. Any further escalation in geopolitical tensions or trade disputes, or the imposition of additional trade restrictions, tariffs or sanctions by the United States or other governments, could disrupt global trade, increase our operating costs, or limit our access to certain markets, which could adversely affect our business, financial condition and results of operations.

If we do not continue to develop and maintain highly recognizable brands, or if we incur excessive expenses in this effort without achieving anticipated benefits, our reputation, business, financial condition and operating results may suffer.

Our ability to compete successfully also depends increasingly on our ability to develop and maintain highly recognizable brands so that our customers will continue to purchase our products in order to meet demands of end users. The development and maintenance of such brands require significant investment in brand-building and marketing initiatives, which may not deliver the anticipated results. Further, the results of such initiatives may not cover the costs of the increased investment. If we are unsuccessful in promoting our brands or fail to maintain our brand position among our targeted end user groups, market perception and end-user acceptance of our brands may erode. The failure of our brands or the poor performance of any marketing campaign could significantly impair our sales of products under such brands and have a material adverse effect on our business, financial condition and results of operations.

We may be adversely affected by any negative publicity concerning us and our business, shareholders, affiliates, directors, officers, other employees, business partners, other third parties as well as the industry in which we operate, regardless of its accuracy, that could harm our reputation and business.

Our ability to attract and retain customers is highly dependent upon the external perceptions of our services, trustworthiness and business practices. Negative perceptions or publicity about us and our business, shareholders, affiliates, directors, officers, employees, business partners, other third parties as well as the industry in which we operate, even if related to isolated incidents, could erode trust and confidence and damage our reputation among existing and potential customers. In turn, this could decrease the demand for our products and services, increase regulatory scrutiny and detrimentally affect our business. In addition to traditional media, there has been an increasing use of social media platforms and similar devices in China, including instant messaging applications, social media websites and other forms of internet-based communications that provide individuals with access to a broad audience of consumers and other interested persons. Negative publicity concerning these parties could be related to a wide variety of matters.

The availability of information on instant messaging applications and social media platforms is virtually immediate as is its impact without affording us an opportunity for redress or correction. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. Information concerning our business, shareholders, directors, officers and employees may be posted on such platforms at any time. The risks associated with any such negative publicity or incorrect information cannot be completely eliminated or mitigated and may materially harm our reputation, business, financial condition and results of operations.

Furthermore, our brand name and our business may be harmed by aggressive marketing and communication strategies by competitors and third parties. We may be subject to government or regulatory investigation or third-party claims as a result and we may be required to spend significant time and incur substantial costs to react to and address these consequences. There is no assurance that we will be able to effectively refute each of the allegations within a reasonable period of time, or at all. Additionally, public allegations, directly or indirectly, against us or our business partners, may be posted online by anyone on an anonymous basis. The availability of information on social media platforms is virtually immediate, as is its impact. Social media platforms may not necessarily filter or check the accuracy of information before publishing them and we are often afforded little or no time to respond. As a result, our reputation may be materially and adversely affected and our ability to attract and retain customers and maintain our market share and our financial conditions may suffer.

Our energy storage system products business involves the storage, transportation and integration of lithium batteries, and we may experience environmental or safety issues in this process.

Our energy storage system products business involves the storage, transportation and integration of lithium batteries produced by us or supplied by third parties. We regularly test our products and take safety measures with respect to the lithium batteries. However, due to the high energy density of lithium-ion cells, mishandling, inappropriate storage, non-compliance with safety instructions or field failures can potentially cause a battery cell to rapidly release its stored energy, which may in turn cause a thermal event that can ignite nearby materials, including other lithium-ion cells. As the use of lithium-ion batteries becomes more prevalent, these events may occur more often, causing damage to property, injury, lawsuits and adverse publicity, which may adversely affect our reputation, results of operations or financial condition.

Our manufacturing operations are subject to a variety of environmental, social and governance ("ESG") criteria, laws and regulations.

We are subject to a variety of ESG criteria, laws and regulations, such as the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Work Safety Law of the PRC (《中華人民共和國安全生產法》) and the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》). As a result of our operation, including sourcing, manufacturing, transporting and storage of our products, such as energy storage system products, non-compliance with existing and future ESG criteria, laws and regulations could subject us to costs or liabilities, including monetary damages and fines, impact our production capabilities, result in suspension of our business operations, and impact our overall financial performance. We cannot assure you that such events will not happen in the future. If we are held liable for damages in the event of any injury or violation of applicable laws or regulations, we may also be subject to adverse publicity and our business, financial conditions and results of operations could be materially and adversely affected. In addition to the PRC, our subsidiaries are required to comply with workplace health and safety regulations in the other jurisdictions where they operate, including requirements to conduct occupational risk assessments, implement preventive measures and submit regular regulatory reports. While we have not experienced any material workplace incidents to date, any failure to comply with applicable workplace safety requirements could expose us to regulatory fines, enforcement actions or civil liability claims, which could adversely affect our reputation, business and financial condition.

We primarily rely on system integrators, installers and EPCs to assist in making our products reach end users, and the failure of these parties to perform at the expected level, or at all, or the failure of us to maintain business relationships with them, would have an adverse effect on our business, financial condition and results of operations.

We sell our products primarily to system integrators, installers and EPCs, who in turn market, sell and deploy our products to end users. With limited exceptions, we generally do not have exclusive arrangements with these third parties. As a result, many of our customers also market and sell products from our competitors, which may reduce our sales. Our customers may terminate their relationships with us at any time, or with short notice. To the best knowledge of our Directors, we are not aware of our partners who had utilized our products to develop their own products that could compete with our products. We do not utilize our customers' products to develop our own products and to compete with them.

The training programs we provide to our system integrators, installers, and EPCs including accreditations and certifications, may not be effective or utilized consistently which may lead to lower efficiency for certain system integrators, installers and EPCs to install our products as expected. New partners may require extensive training and may take significant time and resources to achieve productivity, which might also undermine the overall efficiency of newly established partners. Our partners may subject us to lawsuits, potential liability, and reputational harm if, for example, any of our partners misrepresents the functionality of our products to customers, or fails to perform services to our customers' expectations. In addition, our partners may utilize our products to develop products and services that could potentially compete with products and services that we offer currently or in the future. Concerns over competitive matters or intellectual property ownership could constrain the growth and development of these partnerships or result in the termination of one or more partnerships. If we fail to effectively manage and grow our network of partners, or properly monitor the quality and efficacy of their service delivery, our ability to sell our products and efficiently provide our services may be impacted, and our operating results may be harmed.

Our future performance depends on our ability to effectively manage our relationships with our system integrator, installer and EPC partners, as well as to attract more of them that will be able to market and support our products effectively, especially in markets in which we have not previously distributed our products. We cannot guarantee that we can continue to maintain our relationships with our existing business partners. In addition, we cannot assure you that we can successfully attract new business partners to broaden our customer base. Therefore, we may continue to rely on certain existing business partners for revenue generation, particularly in light of our rapid business expansion. If we experience any reduction, delay or cancelation of orders from our key business partners, there may be a decline in a significant portion of our business. Any loss of sales to any of our key business partners could also have a material adverse effect on our business, financial conditions and results of operations. Termination of agreements with them, failure by them to perform as expected, or failure by us to cultivate new business relationships, could also hinder our ability to expand our operations and harm our revenue and operating results.

We have limited control over our distributors, and we cannot assure you that our distributors will continuously operate their distribution business in compliance with applicable laws and regulations or their obligations under the applicable distributorship agreements.

We work with distributors in certain markets to distribute our products. Although we have been dedicated to maintaining a high-quality distributor group through our selection criteria and ongoing management efforts, our distributors are independent third parties and we have limited control over their operations. We cannot assure you that our distributors will continuously operate their distribution business in compliance with applicable laws, regulations, our distributorship agreements or our internal policies. If our distributors improperly use our brands, products or intellectual property rights, it could damage our reputation and brand image, undermine customers' confidence in us and reduce their long-term demand for our products, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Moreover, as the regulations and policies governing our products vary from time to time, our distributors may not be able to comply with them in a timely manner, or at all. In addition, because our distributors are independent third parties and are not obligated to regularly disclose their inventory levels to us, we generally have limited visibility into the inventory levels held by our distributors or downstream customers. If the inventory levels maintained by our distributors do not correspond with actual market demand, it could lead to under-stocking or over-stocking by distributors. Under-stocking may result in missed sales opportunities, while over-stocking could reduce future orders placed by distributors until such inventory is consumed. These situations could adversely affect our business, financial condition and results of operations. See "—If we fail to manage our inventory effectively, our results of operations, financial condition and liquidity may be materially and adversely affected."

Our business requires a number of approvals, licenses, permits or certificates, and our failure to obtain or renew these approvals, licenses, permits or certificates in a timely manner may materially and adversely affect our business.

We are subject to certain laws and regulations that require us to obtain and maintain various approvals, licenses, permits and certificates from different authorities to operate our business. We will face sanctions or other enforcement actions if we fail to obtain approvals, licenses, permits or certificates as might be necessary for our operations. We could be ordered by the relevant regulatory authorities to cease operation, or may be imposed fines or required to undertake corrective measures requiring capital expenditure or other remedial actions, which could materially and adversely affect our business, financial condition and results of operations. For potential penalties due to our failure to obtain these approvals or permits and other relevant information, see "Regulations" in this document.

In addition, some of these approvals, permits, licenses and certificates are subject to periodic renewal and/or reassessment by the relevant authorities, and the standards of such renewal and/or reassessment may change from time to time. Although we are committed to applying for the renewal and/or reassessment of these approvals, permits, licenses and certificates when required by applicable laws and regulations, we cannot assure you that we can successfully obtain such renewals and/or reassessment. Any failure by us to obtain the necessary renewals and/or reassessment and otherwise maintain all approvals, licenses, permits and certificates necessary to carry out our business at any time could cause severe disruption to our business and prevent us from continuing to carry out our business, which could have a material adverse effect on our business, financial condition and results of operations.

We may also be required to obtain additional approvals, permits, licenses or certificates that were previously not required to operate our existing businesses as a result of new regulations coming into effect, changes to interpretation or implementation of existing laws and regulations. We cannot assure you that we will successfully obtain such approvals, permits, licenses or certificates. Our failure to obtain the additional approvals, permits, licenses or certificates may restrict the conduct of our business, decrease our revenues and/or increase our costs, which could materially reduce our profitability and prospects.

We may experience delays, disruptions or other issues in our manufacturing operations.

We have in the past and may in the future experience delays, disruptions or quality control issues in our manufacturing operations. Our product development, manufacturing and testing processes are complex and require significant technological expertise and production management capabilities. These processes involve multiple precise steps from design to production. Any change in our manufacturing processes, including the introduction of new products, modifications to engineering or production techniques, or expansion of production capacity, could result in production errors or temporary suspension of production lines while such issues are investigated and resolved.

We conduct our manufacturing operations primarily at our production facilities in Huizhou, China and Hai Phong, Vietnam. See "Business—Production and Quality Control—Production Facility" for further details. Disruptions affecting any of these facilities, such as power outages, equipment failures, supply interruptions, labor shortages, natural disasters or public health events, may adversely affect our manufacturing yields, delay product shipments or increase our operating costs.

In addition, manufacturing yields depend on various factors, including the stability and manufacturability of product design, the quality and consistency of component parts and raw materials, and improvements gained through cumulative production experience. Capacity constraints, raw material shortages, logistics disruptions or changes in customer requirements may reduce manufacturing yields and negatively impact our production capacity, gross profit and ability to meet delivery schedules. Any prolonged or significant disruption to our manufacturing operations could have a material adverse effect on our business, financial condition and results of operations.

Fair value change of derivatives used in hedging arrangements would affect financial performance.

From time to time, we enter into arrangements with financial institutions to mitigate exposure to fluctuations in currency and interest rates. Since 2024, we have entered into foreign currency forward contracts and foreign currency option contracts with banks to mitigate the currency risk arising from certain of our receivables denominated in USD and EUR. See "Financial Information—Discussion of Certain Selected Items from Consolidated Statements of Financial Position—Financial Liabilities at FVTPL" and Note 29 to the Accountants' Report in Appendix I for details. As of December 31, 2024 and 2025, the notional amounts of our outstanding foreign currency forward contracts and foreign currency option contracts were approximately RMB114.6 million and RMB2,086.4 million, respectively, and such contracts had a negative fair value of RMB2.1 million and RMB21.2 million, respectively, which were recorded as financial liabilities at FVTPL. The significant increase in the notional amount of our hedging instruments from 2024 to 2025 reflected the expansion of our overseas business and related foreign currency receivables. The failure of one or more counterparties to our hedging arrangements to fulfill their obligations could adversely affect our results of operations. In addition, as a matter of policy, we do not use hedging arrangements for speculative purposes, nevertheless we cannot ensure that all our hedging arrangements will maintain during their entire life effectiveness as instrument of hedging. Failure to maintain foreign exchange hedging contracts effectively could have a material adverse effect on our business, financial condition and results of operations. Our financial performance may also be adversely affected by the fair value change of derivatives used in such hedging arrangements.

We are exposed to market risk from changes in foreign currency exchange rates which could materially and negatively impact our profitability.

We manufacture and sell our products in many countries throughout the world. As a result, there is exposure to foreign currency risk as we enter into transactions and make investments denominated in multiple currencies. For example, if the Renminbi appreciates against the currencies in which we generate revenue, the prices of our products may become less competitive relative to products offered by competitors whose cost bases are denominated in other currencies. Exchange rate fluctuations may also increase the costs of products, components and services that we procure for our operations. Our predominant exposures are in U.S. dollar, Euro, British pound and Hong Kong dollar. We are subject to risks arising from the translation of balance sheets and income statements of our subsidiaries to Renminbi as well as risk arising from the export of products and sales outside the country of manufacturing. With respect to the effects on translated earnings, if Renminbi strengthens relative to local currencies, our earnings could be negatively impacted. The translational and transactional impacts will vary over time and may be more material in the future. There can be no assurance that we can implement effective measures to reduce or eliminate our exposure to fluctuations in foreign exchange rates. During the Track Record Period, our foreign exchange gains (losses) amounted to a gain of RMB125.9 million in 2023, a loss of RMB8.4 million in 2024 and a gain of RMB71.2 million in 2025.

We conduct manufacturing operations primarily in China and Vietnam, and sell products in various overseas markets. To the extent the Renminbi appreciates, we may also experience cost increases on such operations or purchases. We may not be successful at translating to customer pricing or implementing other actions in an effort to mitigate the related cost increases and thus our profitability may be adversely impacted.

In addition, we enter into foreign exchange forward contracts with financial institutions to mitigate exposure to fluctuations in foreign exchange rates. Fluctuations in the foreign exchange rates may lead to losses resulting from our exposure to foreign exchange forward contracts or similar arrangements. For details, see "Business—Hedging" in this document.

The reduction, elimination or expiration of government subsidies and economic incentives for the sustainable energy industry could reduce demand for our products and harm our business.

Governmental bodies provide incentives to owners, end users, distributors, system integrators and manufacturers of solar energy systems to promote solar electricity in the form of rebates, tax credits and other financial incentives such as system performance payments, payments of sustainable energy credits associated with sustainable energy generation, and an exclusion of solar energy systems from property tax assessments. The range and duration of these subsidies and incentives varies widely by jurisdiction. End users typically use our systems for grid-connected applications wherein solar power is sold under a power purchase agreement or into an organized electricity market. This segment of the sustainable energy industry has historically depended in large part on the availability and size of government incentives and regulations mandating the use of sustainable energy. Consequently, the reduction, elimination or expiration of government incentives for grid-connected solar electricity or regulations mandating the use of sustainable energy may negatively affect the competitiveness of solar electricity relative to conventional and non-solar sustainable sources of electricity and could harm or halt the growth of the solar electricity industry and our business. These subsidies and incentives may expire on a particular date, end when the allocated funding is exhausted or be reduced or terminated as solar energy adoption rates increase or as a result of legal challenges, the adoption of new statutes or regulations, or the passage of time. These reductions or terminations may occur without warning.

Various foreign governments in the jurisdictions where we operate or sell our products, including the United States and Germany, have used policy initiatives to encourage the development and adoption of solar power, such as tax credits, feed-in tariffs, net metering programs and renewable portfolio standards. Any reduction or elimination of such incentive programs could reduce demand for our products in the relevant markets. For details of the regulatory frameworks applicable to our overseas operations, see "Regulations—Regulations Relating to Our Industry and Products." In the United States, the federal government has imposed various tariffs on Chinese-origin goods, including solar-related equipment, since 2018 under Section 301 of the Trade Act of 1974, which have at times reached significant levels. Although subsequent bilateral negotiations and judicial developments (including the U.S. Supreme Court's ruling in February 2026 regarding the scope of presidential tariff authority) have resulted in adjustments to certain tariffs, the trade policy environment remains volatile and could materially affect the cost-competitiveness of our products in the U.S. market. For further details, see "Regulations—Regulations Relating to Import and Export of Goods." In Germany, changes to energy incentive programs or renewable energy legislation could reduce demand for distributed solar installations and related products. In addition, if any expansion of our service offerings causes us to be regarded as a co-operator of installations under German energy law, we may become subject to additional regulatory obligations. For further details, see "Regulations—Regulations Relating to Our Industry and Products—Germany."

Governments may reduce or eliminate existing incentive programs for political, financial or other reasons, which will be difficult for us to predict. Reductions in FIT programs may result in a significant fall in the price of and demand for solar power and solar power products. For example, subsidies have been reduced or eliminated in some countries such as China, Germany, Italy, Spain and Canada.

Our planned expansion into new geographic markets or new product lines or services could subject us to additional business, financial, regulatory, and competitive risks.

We have in the past, and may in the future, evaluate opportunities to expand into new geographic markets and introduce new product offerings and services. We also may from time to time engage in acquisitions of businesses or product lines with the potential to strengthen and expand our market position, our technological capabilities, or provide synergy opportunities. For example, we intend to continue to introduce new products in energy storage system and AI-empowered energy management systems and to continue to expand into new markets.

Our success in operating in new geographic markets, developing new products, or managing any acquired business, will depend on a number of factors, including our ability to develop products to address the requirements and needs of targeted markets, timely certification of new products, acceptance of our products in the markets in which they have not traditionally been used, our ability to manage increased manufacturing capacity and production, and to identify and integrate any acquired businesses.

Further, we expect these new geographic markets we enter to have different characteristics from the markets in which we currently sell products, and our success will depend on our ability to adapt properly to these differences. In addition, expanding into new geographic markets will increase our exposure to presently existing risks, such as fluctuations in the value of foreign currencies and difficulties and increased expenses in complying with applicable laws, regulations and trade standards.

Failure to develop and introduce new products, to integrate acquired businesses or to otherwise manage the risks and challenges associated with our potential expansion into new products and geographic markets, could adversely affect our revenues and our ability to sustain profitability. If future expansion plans are not achieved within the expected time frame or implemented within the estimated budget, it will lead to an increase in depreciation and other operational expenses.

Changes in current laws, regulations or policies, the imposition of new laws, regulations or policies, or new interpretations thereof, in the solar energy sector and the sustainable energy industry in general, by the governments and governmental agencies of the jurisdictions in which we operate could impair our ability to compete, and could materially harm our business, financial condition and results of operations.

The market for solar power and energy storage products is heavily influenced by government regulations and policies concerning electricity generation and grid infrastructure. These regulations and policies often relate to electricity pricing, grid interconnection requirements, safety standards, environmental protection, and the construction and operation of distributed power generation systems. In many jurisdictions, these regulations and policies are evolving and may continue to change. Any changes in these regulations and policies could increase the cost of installing or operating solar power systems, reduce the economic attractiveness of solar energy solutions, or otherwise reduce demand for our products.

There has been and will continue to be regulatory uncertainty in the sustainable energy sector generally and the solar energy sector in particular. Changes in current laws or regulations, or the imposition of new laws and regulations around the world, could materially and adversely affect our business, financial condition and results of operations. Our products and their installation are subject to various national and local regulatory requirements, including building codes, safety standards, environmental protection regulations, grid interconnection rules and metering requirements. The introduction of new regulatory requirements or changes in regulatory interpretation may result in additional compliance costs or delay the deployment of our products in certain markets, which could adversely affect demand for our products. Furthermore, changes in tariffs, export or import control laws, trade policies or other regulatory measures in the jurisdictions where we operate may affect our ability to sell or export our products internationally. Such regulatory developments could create delays in the introduction of new products, restrict market access or increase compliance costs. If we are unable to comply with applicable regulatory requirements or adapt to such changes in a timely manner, our business, financial condition and results of operations could be materially and adversely affected.

We primarily rely on ocean transportation to deliver our products in a cost-efficient manner. If we experience any disruption that limits our ability to use ocean transportation in delivering our products, our business and financial condition could be materially and adversely impacted.

We primarily rely on ocean transportation for the delivery of the majority of our products to our customers. We also rely on more expensive air transportation when ocean transportation is not available or compatible with the delivery time requirements of our customers or when we are unable to meet the growing volume demands of our customers and need to accelerate delivery times. Our ability to deliver our products via ocean transportation could be adversely impacted by shortages in available cargo capacity, changes by carriers and transportation companies in policies and practices, such as scheduling, pricing, payment terms and frequency of service or increases in the cost of fuel, taxes and labor, disruptions to ports and other shipping facilities as a result of the epidemics and other factors not within our control. If we are unable to use ocean transportation and are required to substitute more expensive air transportation, our financial condition and results of operations could be materially and adversely impacted.

We may need to constantly upgrade our products to comply with grid safety and stability requirements of various markets where we conduct business.

In order to meet grid safety and stability requirements, grid companies may require us to constantly upgrade, at our cost, our products, after some solar farms (in particular for larger solar farms with greater installed capacity) have been constructed and connected to the grid. Although we have not yet been required to upgrade our products, if we become subject to stricter grid safety and stability requirements, we would incur additional expenses to comply with such requirements, which could adversely affect our results of operations.

We may over-expand our sales and distribution network, and may not be able to effectively manage any overlap or potential competition among our sales and distribution channels, such as cross-region sales.

We have established a sales and distribution network for our products that consists of system integrators, installers, EPCs and distributors. Our success depends highly on our ability to maintain and expand our sales and distribution network. We may over-expand this network, which may result in excessive sales and distribution costs without the anticipated benefits. We cannot assure you that we can implement effective measures to manage overlap or potential competition among our sales and distribution channels. As a result, the expansion of our sales and distribution network may not lead to proportionate expansion of our revenue. Furthermore, adverse competition and cannibalization, such as cross-region sales in contravention of contractual obligations of distributors, among our sales and distribution channels may have a negative impact on the stability of our sales and distribution network, which may have a material and adverse effect on our profitability, business, financial condition and results of operations.

In certain instances, our distributors may further enter into agreements with their sub-distributors, and we normally do not enter into distributorship agreements or directly establish relationships with the sub-distributors. Accordingly, we generally have limited control over the sub-distributors and we rely on our distributors to manage and control the sub-distributors. In the event our distributors fail to effectively manage their sub-distributors, competition among such sub-distributors may result in cannibalization within our sales and distribution channels, which may have an adverse effect on our business, results of operations and financial condition.

We may be subject to disruptions or failures in information technology systems and network infrastructures that could have a material adverse effect on our business and financial condition.

We rely on the efficient and uninterrupted operation of complex information technology systems and network infrastructures to support the reliable performance of our products and services and to operate our business. Our products incorporate highly technical and complex technologies, and thus our technologies and software may now or in the future contain undetected errors, bugs, or vulnerabilities. Some errors in our software code may only be discovered after the code has been released. Our products and internal systems depend on the ability of such technical infrastructure to store, retrieve, process, and manage immense amounts of data, including data collected through our AI-empowered energy management systems from residential and C&I end users connected through our cloud platform. A portion of our global storage and network infrastructure is provided by third parties, and any disruption or failure in the services we receive from these providers could result in performance delays, outages or security breaches that could be harmful to our business. If our products and services are unavailable when users and customers would like to access them, or if they do not perform as effectively as users and customers expect, our attractiveness to users and customers may decline.

As our users and customers continue to grow, and the amount and complexity of data on our platform continue to increase, we will need to expand and enhance our technical infrastructure to support the performance of our products and services. A disruption, infiltration or failure of our information technology systems as a result of software or hardware malfunctions, computer viruses, cyber-attacks, third-party security breaches, employee error, power disruptions, natural disasters or accidents could cause breaches of data security, loss of intellectual property and critical data and the release and misappropriation of sensitive information. Any such events could harm our competitive position, result in a loss of customer confidence, cause us to incur significant costs to remedy any damages and ultimately materially adversely affect our business and financial condition.

If we fail to manage our inventory effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.

Our scale and business model require us to manage a large volume of inventory effectively. We depend on demand forecasts to make purchase decisions, but demand can change significantly between the time inventory is ordered and the date by which we target to sell it due to new product launches, changes in product cycles and pricing, and product defects. The procurement of certain types of inventory may require significant lead time and prepayment, and they may not be returnable.

Our inventory primarily consists of raw materials, work-in-progress and finished goods relating to our energy storage system products and PV inverters, our two largest product categories. For the years ended December 31, 2023, 2024 and 2025, our revenue from energy storage system products was RMB2,083.2 million, RMB1,666.1 million and RMB3,315.4 million, respectively, and our revenue from PV inverters was RMB2,956.1 million, RMB2,584.7 million and RMB1,556.8 million, respectively. Given the different demand cycles, technological evolution and pricing dynamics of these product lines, shifts in product mix—such as the significant growth in our energy storage business and the decline in PV inverter sales in 2025—can result in excess inventory of certain product types while creating shortages in others.

As of December 31, 2023, 2024 and 2025, we had inventories of RMB2,173.1 million, RMB1,486.0 million and RMB1,537.2 million, respectively, and our inventory turnover days were 217 days, 187 days and 136 days, respectively. We recognized provision for impairment of inventories of RMB151.9 million, RMB109.3 million and RMB89.0 million for the years ended December 31, 2023, 2024 and 2025, respectively, and the balance of our provision for impairment of inventories was RMB151.4 million, RMB136.0 million and RMB77.9 million as of the same dates, respectively. Such write-downs primarily resulted from declines in the net realizable value of our inventory below cost due to rapid technological changes, price decreases in the PV inverter and energy storage markets, and changes in customer demand patterns. There is no assurance that we will not need to make additional or larger inventory write-downs in the future. To reduce our inventory level, we may choose to transfer our products among different regions. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. Any of the above may materially and adversely affect our results of operations and financial condition. Conversely, if we underestimate demand for our products or if our suppliers fail to supply quality products in a timely manner, we may experience inventory shortages, which might result in missed sales, diminished brand loyalty and lost revenues.

We are exposed to credit risk on our trade and notes receivables. If we fail to collect trade and notes receivables from our customers in a timely manner, our business, results of operations and financial condition may be materially and adversely affected.

We typically extend credit terms of 30 to 180 days from the date of billing to our customers, resulting in trade and notes receivables. Our financial position and profitability are therefore dependent on the creditworthiness of our customers, who span different product segments—including energy storage system products and PV inverters—with different credit risk characteristics. We recorded trade and notes receivables of RMB1,065.9 million, RMB842.3 million and RMB825.0 million as of December 31, 2023, 2024 and 2025, respectively. In 2023, 2024 and 2025, we recognized net impairment losses on our trade receivables of RMB10.4 million, RMB32.5 million and RMB25.0 million, respectively, with the significant increase in 2024 primarily attributable to individually assessed impairment on certain customers experiencing unexpected economic difficulties. Our trade and notes receivables turnover days were 87 days, 78 days and 58 days in 2023, 2024 and 2025, respectively.

Although our total revenue increased from RMB4,475.6 million in 2024 to RMB5,232.9 million in 2025, our trade and notes receivables decreased from RMB842.3 million to RMB825.0 million over the same period, primarily due to (i) improved collection efficiency, as reflected in the reduction of turnover days from 78 days to 58 days; and (ii) a shift in revenue mix toward energy storage system products (from RMB1,666.1 million to RMB3,315.4 million), while PV inverter revenue declined (from RMB2,584.7 million to RMB1,556.8 million), reflecting changes in customer composition and payment patterns across product lines. As of December 31, 2025, approximately 90% of our trade receivables had an aging of within six months. However, we cannot assure you that such favorable collection trends will continue, that we will be able to accurately assess the creditworthiness of each customer before extending credit terms, or that our customers will strictly follow the payment schedules provided in their agreements. Any inability of our customers to pay us in a timely manner may result in bad debt and adversely affect our liquidity and cash flows, which in turn could have a material adverse effect on our business operations and financial condition.

We may not be able to fulfill our obligations in respect of contract liabilities which may in turn impact our results of operation, liquidity and financial position.

We recognize a contract liability when we receive a payment or when a payment is due (whichever is earlier) from a customer before we provide the related products and services. Contract liabilities are then reclassified as revenue when we perform our services under the contracts, which means transferring control of the related products or services to the customer. Our contract liabilities amounted to RMB214.1 million, RMB123.3 million and RMB305.7 million as of December 31, 2023, 2024 and 2025, respectively. See "Financial Information—Discussion of Certain Selected Items from Consolidated Statements of Financial Position—Contract Liabilities." If we fail to fulfill our obligations or if our customers dispute the services we provided, we may not be able to reclassify the full amount of contract liabilities as revenue, and we will have to refund all or a portion of the payments made by our customers, which will adversely affect our results of operations, liquidity and financial position.

We may incur higher income tax expenses if our deferred tax assets are not utilized as expected.

In the application of our accounting policies, we are required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on historical experience and other relevant factors. As a result, actual results may differ from these accounting estimates. As of December 31, 2023, 2024 and 2025, our deferred tax assets amounted to RMB192.1 million, RMB227.6 million and RMB231.0 million, respectively. For details of our deferred tax assets during the Track Record Period, see Note 30(b) to the Accountants' Report in Appendix I to this document. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses according to our assessment. If sufficient future taxable profits are not generated eventually or are less than what is expected, a material reversal of deferred tax assets may arise.

We may need to make allowance for impairment of prepayments, other receivables and other assets.

As of December 31, 2023, 2024 and 2025, our prepayments, other receivables and other assets amounted to RMB330.7 million, RMB262.0 million and RMB275.0 million, respectively. Our prepayments, other receivables and other assets primarily consist of (i) VAT recoverable representing the value added input tax in excess of the value output tax and the value added tax for cross-border transactions, which can be deductible or recoverable in the future, (ii) prepaid corporate income tax, (iii) prepayments for materials and expenses, (iv) right to recover returned goods, and (v) deposits receivables. There is no guarantee that related parties, customers, suppliers and service providers will perform their obligations in a timely manner, and we are subject to credit risk in relation to our other receivables. We make allowance for impairment of other receivables when we determine the chances of recovering the relevant amounts due are remote and losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies. We conduct assessments on the recoverability of other receivables based on, among others, our historical settlement records, our relationship with relevant counterparties, payment terms, economic trends and to a certain extent, the larger economic and regulatory environment, which involve the use of various judgments, assumptions and estimates by our management. The balance of our allowance for impairment of other receivables was RMB2.5 million, RMB3.7 million and RMB5.0 million as of December 31, 2023, 2024 and 2025, respectively. We recognized net impairment losses on our other receivables of RMB21.7 million, RMB1.3 million and RMB1.7 million for the years ended December 31, 2023, 2024 and 2025, respectively. As our management's estimates and related assumptions were made in accordance with information available to us at the time the allowance was determined, there is no assurance that our expectations or estimates will remain accurate for the future. If we are not able to recover the amount as scheduled, we may need to make additional allowance for impairment and our business, financial condition and results of operations may be adversely affected.

The fair value measurement of our convertible preferred shares is subject to significant uncertainties and risks, and changes in such fair value may affect our financial performance.

We issued certain convertible preferred shares to some investors of which we are obligated to distribute our assets and funds firstly to holders of the preferred shares upon occurrence of the contingent events (such as change of control) which are beyond our control. As of December 31, 2023, 2024 and 2025, the fair value of our financial instruments issued to investors was RMB912.5 million, RMB934.1 million and RMB1,005.3 million, respectively. In 2023, we recorded a fair value gain of RMB361.9 million, primarily due to a decrease in the fair value of the convertible preferred shares. In 2024 and 2025, we recorded fair value losses of RMB29.1 million and RMB67.4 million, respectively, primarily due to an increase in the fair value of such instruments. See Note 37(a) to the Accountants' Report in Appendix I for details. As a result, the fair value of such instruments may fluctuate from period to period, and any changes in fair value are recorded in profit or loss, which may materially affect our financial performance.

Fluctuation of our current financial assets at fair value through profit or loss may affect our results of operations and financial condition.

During the Track Record Period, we invested in certain financial assets at FVTPL, primarily consisting of (i) short-term structured deposits and bank wealth management products managed by licensed financial institutions in the PRC, with contractual expected return rates ranging from 1.5% to 3.4% per annum, and (ii) listed equity securities in the United States held for trading. As of December 31, 2023, 2024 and 2025, our financial assets at FVTPL amounted to RMB100.0 million, RMB218.2 million and RMB289.0 million, respectively. The increase during the Track Record Period was primarily attributable to our growing cash balances and our strategy of enhancing returns on excess liquidity. See "Financial Information—Discussion of Certain Selected Items from Consolidated Statements of Financial Position—Financial Assets at FVTPL" and Note 20 to the Accountants' Report in Appendix I for details.

We cannot assure you that market conditions and regulatory environment will result in fair value gains on the financial assets we invest in or that we will not incur any fair value losses on our investments in the future. In particular, the fair value of our listed equity securities is subject to market price fluctuations, while the returns on our structured deposits and wealth management products depend on the performance of the underlying investment portfolios and prevailing market interest rates. During the Track Record Period, we recorded fair value changes on our financial assets at FVTPL of nil, a loss of RMB5.6 million and a gain of RMB11.3 million in 2023, 2024 and 2025, respectively. If we incur fair value losses on our financial assets, our results of operations, financial condition and prospects may be adversely affected. These investments may earn yields substantially lower than anticipated, and the fair values of these financial assets may fluctuate significantly. Any failure to realize the benefits we expected from these financial assets may materially and adversely affect our business and financial results.

Defects or performance problems in our products could result in loss of customers, reputational damage and decreased revenue, and we may face warranty, indemnity and product liability claims that exceed our warranty provisions.

Although our products meet stringent quality requirements, they may contain undetected errors or defects, especially when first introduced or when new generations are released. Any actual or perceived errors, defects or poor performance in our products could result in the replacement or recall of our products, shipment delays, damage to our reputation, lost revenue and increases in sales and service costs, all of which could have a material adverse effect on our business, financial condition and results of operations. Our energy storage system products and PV inverters are typically sold with a one-to-ten year warranty covering defects in materials and workmanship under normal use and service conditions. As of December 31, 2023, 2024 and 2025, our warranty provisions amounted to RMB225.4 million, RMB201.3 million and RMB204.3 million, respectively, and actual warranty costs utilized amounted to RMB298.7 million, RMB286.4 million and RMB204.0 million, respectively. Our warranty provisions are estimated based on historical claim experience; however, as we expand into new geographic markets with different operating environments and usage patterns, and as we continually upgrade our product designs and launch new models, actual warranty claims may differ materially from our historical experience. If actual warranty costs significantly exceed our provisions, we may need to record additional charges, which could have a material adverse effect on our financial condition. In addition, defective products may give rise to product liability claims against us. We provide after-sales warranty services including on-site repairs and component replacements, the performance of which may expose our service personnel to safety risks inherent in working with electrical equipment. Any safety incident occurring during the performance of warranty services could expose us to civil liabilities, reputational harm and potential regulatory scrutiny. The successful assertion of a product liability claim against us could result in significant monetary damages, adverse publicity and decreased sales, which could adversely affect our business, results of operations and financial condition.

If we fail to retain our key personnel or if we fail to attract additional qualified personnel, we may not be able to achieve our anticipated level of growth and our business could suffer.

Our future success and ability to implement our business strategy depends, in part, on our ability to attract and retain key personnel, and on the continued contributions of members of our senior management team and key personnel in areas such as technology, operation, marketing, and sales, any of whom would be difficult to replace. Although we typically require our key personnel to enter into non-compete and confidentiality agreement with us, we cannot prevent they join our competitor after the non-compete period. The loss of their services could adversely impact our ability to achieve our business objectives. If one or more of our senior management or key R&D personnel are unable to or unwilling to continue in their present positions or join a competitor or form a competing company, we may not be able to replace them in a timely manner or at all, which will have a material and adverse effect on our business, financial condition and results of operations.

Competition for highly skilled executives and employees in the sustainable energy industry is intense, and our competitors have targeted individuals in our organization that have desired skills and experience. If we are not able to continue to attract, train and retain our leadership team and our qualified employees necessary for our business, the progress of our product development programs could be hindered, and we could be materially adversely affected.

Additionally, our ability to attract qualified personnel, including senior management and key technical personnel, is critical to the execution of our growth strategy. Competition for qualified senior management personnel and highly skilled individuals with technical expertise is extremely intense, and we face challenges identifying, hiring, and retaining qualified personnel in all areas of our business. Furthermore, integrating new employees into our team could prove disruptive to our operations, require substantial resources and management attention, and ultimately prove unsuccessful. Our failure to attract and retain qualified senior management and other key technical personnel could limit or delay our strategic efforts, which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Kingdoms, the United Nations and other relevant sanctions authorities.

Various jurisdictions, including the United States, the European Union, the United Kingdom and the United Nations, have implemented economic sanctions programs that restrict dealings with certain countries, territories, entities and individuals. These sanctions regimes are subject to frequent changes and evolving interpretations. As we conduct business globally, we are required to comply with applicable sanctions laws and regulations in the jurisdictions where we operate. If we fail to comply with such sanctions requirements, we could be subject to civil or criminal penalties, regulatory investigations, reputational harm or other adverse consequences, which could materially and adversely affect our business, financial condition and results of operations.

Our business and reputation could be adversely affected if the authorities of United States, the European Union, the United Kingdoms, the United Nations or any other jurisdictions were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Group.

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

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and export control regulations and similar laws and regulations in various jurisdictions in which we conduct activities, including the U.S. Foreign Corrupt Practices Act, or FCPA, the U.K. Bribery Act 2010, and other anti-corruption laws and regulations. Any non-compliance with anti-corruption, anti-bribery, anti-money laundering, financial and export control regulations and similar laws and regulations could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation. Any violation or even an alleged or suspected violation could harm our reputation and cause our suppliers, customers, financial institutions or other counterparties to refuse to do business with us, which may negatively affect our business, our results of operations, or the trading price of our Shares.

If we fail to protect, or incur significant costs in defending our intellectual property, trade secrets and other proprietary rights, our business, results of operations and competitive position could be materially harmed.

Our success depends to a significant degree on our ability to protect our intellectual property and other proprietary rights. As of the Latest Practicable Date, we have registered 283 patents, 99 trademarks, 211 software copyrights, seven copyrights and 427 domain names globally. We rely on a combination of patent, trademark, copyright, trade secret, and unfair competition laws, as well as confidentiality and license agreements and other contractual provisions with our customers, suppliers, employees, and others, to establish and protect our intellectual property and other proprietary rights. Our ability to enforce these rights is subject to litigation risks, as well as uncertainty as to the enforceability of our intellectual property rights in various countries. When we seek to enforce our rights, we may be subject to claims that our intellectual property rights are invalid or not enforceable. Our assertion of intellectual property rights may result in another party seeking to assert claims against us, which could harm our business. Our inability to enforce our intellectual rights under any of these circumstances can harm our competitive position and business.

We cannot guarantee that any of our pending applications in various jurisdictions will be approved or that our existing and future intellectual property rights will be sufficiently broad to protect our proprietary technology, and any failure to obtain such approvals or finding that our intellectual property rights are invalid or unenforceable could force us to, among other things, rebrand or re-design our affected products. In countries where we have not applied for patent protection or where effective intellectual property protection is not available to the same extent as others, we may be at greater risk that our proprietary rights will be misappropriated, infringed, or otherwise violated.

Our intellectual property may be stolen or infringed upon. Litigation proceedings are inherently uncertain, and adverse rulings may occur, including monetary damages, or injunction stopping us from manufacturing or selling certain products, or requiring other remedies. These lawsuits are intended to protect our significant investment in our intellectual property but they also may consume management and financial resources for long periods of time and may not result in favorable outcome for us, which may adversely affect our business, results of operations or financial condition.

Third parties may assert that we are infringing upon their intellectual property rights, which could divert management's attention, cause us to incur significant costs, and prevent us from selling or using the technology to which such rights relate.

Our competitors and other third parties hold numerous patents related to technology used in our industry, and claims of patent or other intellectual property right infringement or violation have been litigated among industry participants. We may in the future be subject to such claims and litigation, including but not limited claims and litigation with respect to technology used in the components we sourced from our suppliers. Regardless of their merit, responding to such claims can be time consuming, divert management's attention and resources, and may cause us to incur significant expenses and expose us to reputational risks.

While we believe that our products and technology do not infringe upon any intellectual property rights of third parties, we cannot be certain that we would be successful in defending against any such claims. Furthermore, patent applications in many countries are confidential for a period of time before being published, so we cannot be certain that we are not infringing third parties' patent rights or that we were the first to conceive or protect inventions covered by our patents or patent applications. An adverse outcome with respect to any intellectual property claim could invalidate our proprietary rights and force us to do one or more of the following:

- obtain from a third-party claiming infringement a license to sell or use the relevant technology, which may not be available on reasonable terms, or at all;

- stop manufacturing, selling, incorporating or using products that embody the asserted intellectual property;
- pay substantial monetary damages;
- indemnify our customers and business partners; or
- expend significant resources to redesign the products that use the infringing technology, or to develop or acquire non-infringing technology.

Any of these actions could result in a substantial reduction in our revenue and could result in losses over an extended period of time.

Our failure to obtain the right to use necessary third-party intellectual property rights on reasonable terms, or our failure to maintain, and comply with the terms and conditions applicable to these rights, could harm our business and prospects.

In the future we may choose or be required to license technology or intellectual property from third parties in connection with the development and marketing of our products. We cannot assure you that such licenses will be available to us on commercially reasonable terms, or at all, and our inability to obtain such licenses could require us to substitute technology of lower quality or of greater cost. If we are unable to obtain necessary licenses, we may incur significant costs or experience delays in developing alternative technologies or redesigning our products, which could adversely affect our ability to commercialize our products. In addition, we may use open source software in the future for technologies related to our energy storage system products and PV inverters. Open source licenses may subject us to certain unfavorable conditions, including requirements that we offer our products that incorporate the open source software for no cost, that we make publicly available the source code for any modifications or derivative works, or that we license such modifications under the terms of the particular open source license. This could allow our competitors or other third parties to use our proprietary software freely and lead to a loss of the competitive advantage of our proprietary technologies. Furthermore, use of open source software can lead to greater risks than use of third-party commercial software, since open source licensors generally do not provide warranties or controls with respect to origin, functionality or other features of the software, and any undetected errors or defects could prevent the deployment or impair the functionality of our systems or applications. Any of the foregoing could disrupt our ability to offer our products and services and harm our business, revenue and financial results.

If our trademarks and trade names are not adequately protected, we may not be able to build name recognition in our markets of interest, and our competitive position may be harmed.

Our trademarks enjoy a reputation for quality and value and are important to our success and competitive position. Unauthorized use of our trademark rights may not only erode sales of our products, but may also cause significant damage to our brand name and reputation, interfere with our ability to effectively represent us to our customers, suppliers and/or licensees, and increase litigation costs. Similarly, failure by licensees or vendors to adhere to our standards of quality and other contractual requirements could result in loss of revenue, increased litigation, and/or damage to our reputation and business. There can be no assurance that our ongoing effort to protect our brand and trademark rights and ensure compliance with our licensing and vendor agreements will prevent all violations. If our products are counterfeited or imitated in the market, our reputation and results of operations may be negatively affected.

The trademarks or trade names that we own may also be challenged, infringed, circumvented, declared generic, lapsed or determined to be infringing on or dilutive of other marks. We may not be able to protect our rights in these trademarks and trade names, which we need in order to build name recognition. In addition, third parties may file for registration of trademarks similar or identical to our trademarks, thereby impeding our ability to build brand identity and possibly leading to market confusion. If they succeed in registering or developing rights in such trademarks, and if we are not successful in challenging such rights, we may not be able to use these trademarks to develop brand recognition of our technologies, products or services. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. If third parties succeed in registering such trademarks, and if we are not successful in challenging such third party rights, we may not be able to use these trademarks to market our products and technologies the relevant countries. If we do not secure registrations for our trademarks, we may encounter more difficulty in enforcing them against third parties than we otherwise would. If we are unable to establish name recognition based on our trademarks and trade names, we may not be able to compete effectively, which could harm our business, financial condition, results of operations and prospects. Over the long-term, if we are unable to maintain name recognition based on our trademarks, then our marketing abilities may be materially adversely impacted.

We could be subject to cyberattacks, data breaches, unauthorized access to or use of data and other breaches of our information technology systems, which could cause significant reputational, legal and financial damages.

We use and store a wide variety of confidential and proprietary information relating to our business. Our products and services, including our AI-empowered energy management systems, involve the storage and transmission of our customers' and end-users' information. We collect, store and use certain information, including personal information, of our employees, customers, and end users. Given the nature of the information we use and store, third parties may seek to gain unauthorized access to such information. Despite our implementation of security measures, our systems are vulnerable to cyberattacks, hacks, ransomware attacks, computer viruses, denial-of-service attacks, unauthorized access and other malicious activities. These types of attacks have generally increased as more businesses implement remote working environments. In addition, outside parties may attempt to fraudulently induce employees or customers to disclose sensitive information in order to gain access to our data. Although we make significant efforts to maintain the security and integrity of our information technology systems, there can be no assurance that our security efforts and measures will be effective. Any cybersecurity incident, data breach or unauthorized access to data could result in loss, theft or improper disclosure of our users', customers' or employees' data and could result in governmental investigation or action, litigation, and significant financial and legal exposure. During the Track Record Period and up to the Latest Practicable Date, we did not experience any incident of data or personal information leakage, or any investigation, administrative penalty or other legal proceeding relating to data protection and privacy laws and regulations that adversely affected our business operations.

The techniques used in attempted cyber-attacks are sophisticated and constantly evolving, and may be difficult to detect for long periods of time. We may fail to detect or accurately assess the severity of a data breach, or fail to sufficiently remediate an incident. Further, because we share information with third-party service providers to conduct our business, if any of our business partners fail to implement adequate data-security practices or suffer a security breach, our users' information may be improperly accessed or disclosed. Although to date we have not experienced any material breaches of our systems, attacks on our systems will continue. If we experience a significant data security breach, the market perception of our security measures would be harmed, and we could be exposed to reputational damage and significant costs, any of which could adversely affect our business, results of operations and financial condition.

Third parties, our employees, or our business partners might gain unauthorized access to our network or seek to compromise our products and services.

From time to time, we face attempts by others to gain unauthorized access through the Internet, introduce malicious software to our information technology systems, or corrupt the processes of hardware and software products that we manufacture and services we provide. We or our products may be a target of computer hackers, organizations or malicious attackers who attempt to gain access to our network or data centers or those of our customers or end users; steal proprietary information related to our business, products, employees, and customers; or interrupt our systems or those of our customers or others. Furthermore, we are susceptible to similar attempts by our own employees or business partners who have access to our networks. From time to time, we encounter intrusions or attempts at gaining unauthorized access to our network. To date, none have resulted in any material adverse impact to our business or operations; however, there can be no guarantee that such impacts will not be material in the future. While we seek to detect and investigate all unauthorized attempts and attacks against our network and products, and to prevent their recurrence where practicable, we remain potentially vulnerable to additional known or unknown threats. In addition to intentional third-party cyber-security breaches, the integrity and confidentiality of our data and customer data may be compromised as a result of human error, product defects, or technological failures. Cyber-security breaches, whether successful or unsuccessful, and other information technology system interruptions, including those resulting from human error and technological failures, could result in our incurring significant costs related to, for example, rebuilding internal systems, reduced inventory value, providing modifications to our products and services, defending against litigation, responding to regulatory inquiries or actions, paying damages, or taking other remedial steps with respect to third parties.

We may be subject to natural disasters, acts of war or terrorism or other factors beyond our control.

Natural disasters, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of natural disasters such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome, or SARS, Ebola, Zika, COVID-19, or other events, such as power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks. Such events may cause production delays, inventory shortages, increased costs and operational disruptions, many of which are beyond our control, and could materially and adversely affect our business, results of operations and financial performance.

Compliance with the rapidly evolving landscape of global data privacy and security laws may be challenging, and any failure or perceived failure to comply with such laws, or other concerns about our practices or policies with respect to the collection, use, storage, retention, transfer, disclosure, and other processing of personal data, could damage our reputation and deter current and potential users from using our platform and services.

We collect, store and use certain information, including personal information of our employees and of our customers' employees. We also collect personal information of the end-users to provide our system services, and to develop and optimize our products and services. Accordingly, failure to comply with the increasing number of data protection laws in the jurisdictions in which we operate, including, among others, the GDPR, CPRA, PRC Cybersecurity Law, PRC Personal Information Protection Law, PRC Data Security Law, PRC Cybersecurity Review Measures and PRC Regulation on Network Data Security Management, as well as concerns about our practices with regard to the collection, use, storage, retention, transfer, disclosure, and other processing of personal data, the security of personal data, or other privacy-related matters, such as cybersecurity breaches, misuse of personal data and data sharing without necessary safeguards, including concerns from our end users, distributors, employees, third party service providers and other business partners, even if unfounded, could damage our reputation and operating results.

As we seek to grow and expand our business, we are and will increasingly become subject to a variety of local, national and international laws, directives and regulations, as well as contractual obligations, relating to the collection, use, retention, protection, disclosure, transfer and other processing of personal information in the different jurisdictions in which we operate, including without limitation regulatory systems in China, the U.S. and Europe. These laws, directives, regulations and contractual obligations may require us to modify or cease certain of our business practices. Moreover, any actual or alleged non-compliance with any of the foregoing, or any other laws or regulations to which we are subject, could subject us to claims, suits or government investigations and could expose us to civil or criminal liability. Any of these types of legal proceedings can have an adverse effect on us because of legal costs, monetary fines, criminal sanctions, behavioral remedies including interruption of service, diversion of management resources, negative publicity and other factors.

We have adopted various data privacy policies with respect to how we collect, store, process and use user data and information. See "Business—Data Security" for more details. While we strive to comply with our internal data privacy policies as well as all applicable data privacy and security laws and regulations, and contractual obligations in respect of personal data. Any failure or perceived failure by us, external service providers or business partners to comply may result in proceedings or actions against us, including fines, penalties or enforcement orders (including orders to cease processing activities) being levied on us by government agencies or proceedings or actions against us by our end users, distributors, employees, third party service providers and other business partners, including class action privacy litigation in certain jurisdictions, and could damage our reputation and discourage current and future users from using our products and services, which could materially and adversely affect our business, financial condition and results of operations. In addition, compliance with applicable laws on data privacy requires substantial expenditure and resources, including to continually evaluate our policies and processes and adapt to new requirements that are or become applicable to us on a jurisdiction-by-jurisdiction basis, which would impose significant burdens and costs on our operations or may require us to alter our business practices.

Compliance with the GDPR, the CCPA/CPRA, the Cybersecurity Law, the European Union Privacy and Electronic Communications Directive (Directive 2002/58/EC) (the "ePrivacy Directive") and other regulatory and legislative privacy requirements require significant operational resources and modifications to our business practices, and any compliance failures may have a material adverse effect on our business, reputation, and financial results.

We are engaged in ongoing privacy compliance and oversight efforts and other laws, regulatory, and legislative requirements around the world, such as the GDPR, the CCPA/CPRA and the ePrivacy Directive. Compliance with data protection laws and regulations could cause us to incur substantial costs or require us to change our business practices and compliance procedures in a manner adverse to our business. Our and our collaborators' and contractors' failure to fully comply with applicable laws could lead to significant fines and require onerous corrective action. In addition, data security breaches experienced by us, our collaborators, customers or contractors could result in the loss of trade secrets or other intellectual property, public disclosure of sensitive commercial data, and the exposure of personally identifiable information (including sensitive personal information) of our employees, customers, collaborators and others. Compliance with these and any other applicable privacy and data security laws and regulations is a rigorous and time-intensive process, and we may be required to put in place additional mechanisms ensuring compliance with the new data protection rules. Furthermore, the laws are not consistent, and compliance with various different requirements may be costly. If we fail to comply with any such laws or regulations, we may face significant fines and penalties that could adversely affect our business, financial condition and results of operations.

These efforts require substantial resources, and in connection with our ongoing compliance and oversight efforts, we may also need to implement substantial modifications to our products and business practices, and may require significant changes to features of our products, such as user-interface functions and experience, and may make some of our practices, such as collection and use of certain types of data, and product development more difficult, time-consuming, and costly. As a result, we believe our ability to maintain current features, products and services, and develop and launch new features, products, and services in a timely manner has been and will continue to be adversely affected. We also expect that our privacy compliance and oversight efforts will require significant time and attention from our management and board of directors.

In addition, regulatory and legislative privacy requirements are constantly evolving and can be subject to significant change and uncertain interpretation. If we are unable to successfully implement and comply with the mandates of the GDPR, CCPA/CPRA, ePrivacy Directive, or other regulatory or legislative requirements, or if we are found to be in violation of other applicable requirements, we may be subject to regulatory or governmental investigations or lawsuits, which may result in significant monetary fines, judgments, or other penalties (including the confiscation of unlawful gains, suspension of business and revocation of licenses, among others), and we may also be required to make additional changes to our business practices (including restricting our collection of certain user data or otherwise limiting our data operations, which could affect our ability to use data). Any of these events could have a material adverse effect on our business, reputation, and financial results.

We may need to raise additional funds to pursue our growth strategy or continue our operations, and we may be unable to raise capital when needed or on acceptable terms.

From time to time, we may seek additional equity or debt financing to fund its growth to respond to competitive pressures or make acquisitions or other investments. Our business plans may change, general economic, financial or political conditions in its markets may deteriorate or other circumstances may arise, in each case that have a material adverse effect on its cash flows and the anticipated cash needs of its business. Any of these events or circumstances could result in significant additional funding needs, requiring us to raise additional capital. We cannot predict the timing or amount of any such capital requirements at this time.

Additional funds may not be available when we need them on reasonable terms, or at all. Our ability to obtain additional capital is subject to a variety of uncertainties. If we are unable to obtain additional capital in a timely manner or on acceptable terms, or at all, our ability to continue to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, results of operations, financial condition and prospects could be materially and adversely affected. In addition, our future capital needs and other business reasons could require us to sell additional equity or debt securities or obtain a credit facility. The sale of additional equity or equity-linked securities could dilute our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our shareholders.

In addition, we have adopted a share option scheme to incentivize our employees, and we may grant additional share-based awards in the future. Any issuance of Shares pursuant to such schemes may dilute the shareholding percentage of our existing Shareholders, and the recognition of share-based payment expenses may adversely affect our results of operations.

We may incur additional indebtedness, and increased cost of indebtedness in the future could affect our business, results of operations and liquidity.

During the Track Record Period, we maintained bank borrowings to support our business operations and capital expenditure requirements. As of December 31, 2023, 2024 and 2025, our total borrowings (including both current and non-current) amounted to RMB285.2 million, RMB335.0 million and RMB283.2 million, respectively, and our lease liabilities amounted to RMB182.1 million, RMB100.5 million and RMB49.1 million, respectively. Our gearing ratio (total debt divided by total equity) decreased from 14.4% as of December 31, 2023 to 13.5% as of December 31, 2024, and further to 9.2% as of December 31, 2025. See "Financial Information—Indebtedness" and "Financial Information—Key Financial Ratios."

Although our current indebtedness level is relatively low and our operating cash flows have been consistently positive during the Track Record Period, we may need to incur additional indebtedness in the future to fund our business expansion plans, including the construction of a new manufacturing facility in Vietnam and the relocation to our new headquarters in Shenzhen. As of December 31, 2025, we had unutilized banking facilities of approximately RMB1,806.8 million. We obtained the interest rates on our bank borrowings ranging between 1.26% and 3.85% in 2023, 0.72% and 2.60% in 2024 and 0.88% and 2.40% in 2025. However, interest rates may increase in the future, and any such increase could raise our borrowing costs. High indebtedness levels could necessitate a greater allocation of our cash flow towards principal and interest repayments, limiting funds available for working capital and strategic initiatives. Additionally, increased indebtedness may constrain our flexibility in adapting to industry changes or pursuing new opportunities, restrict access to further financing and heighten our exposure to interest rate fluctuations. Furthermore, any restrictive covenants in our future borrowing arrangements may limit our operational and financial flexibility, and failure to comply with such covenants could result in events of default that may accelerate repayment obligations, which could have a material adverse effect on our business, financial condition, results of operations and liquidity.

We may be subject to regulatory actions or legal proceedings in the ordinary course of our business. If the outcomes of these regulatory actions or legal proceedings are adverse to us, it could have a material adverse effect on our business, financial condition, and results of operations.

We may be subject to regulatory actions, litigation, disputes or claims of various types brought by relevant regulatory authorities or our competitors, users, employees, or other third parties against us in the ordinary course of our business. Such regulatory actions, disputes, allegations, complaints, or legal proceedings may damage our reputation, evolve into litigations or otherwise have a material adverse impact on our reputation and business. Litigation is expensive, may subject us to the risk of significant damages, requires significant managerial resources and attention, and could materially and adversely affect our business, financial condition, and results of operations. The outcomes of actions we institute may not be successful or favorable to us. Lawsuits against us may also generate negative publicity that significantly harms our reputation, which may adversely affect our user base.

Our business could be materially adversely affected as a result of the risks associated with acquisitions and investments.

We may identify strategic partners to form strategic alliances, and invest in or acquire additional assets, technologies or businesses that are complementary to its existing business. These transactions may involve minority investments in other companies, acquisitions of controlling stakes in other companies or acquisitions of selected assets.

Any future strategic alliances, investments or acquisitions and the subsequent integration of the new assets and businesses obtained or developed from such transactions into our own business may divert management from its primary responsibilities and subject us to additional liabilities. In addition, the costs of identifying and consummating investments and acquisitions may be significant. We may also incur costs and experience uncertainties in completing necessary registrations and obtaining necessary approvals from relevant governmental authorities in China and elsewhere in the world. The costs and duration of integrating newly acquired assets and businesses could also materially exceed our expectations. Any such negative developments could have a material adverse effect on our business, financial condition, results of operations and cash flow.

Our leased property interest may be defective and such defects may negatively affect our right to such leases.

We currently lease 18 premises in China. Ownership certificates or other similar proof of certain leased properties have not been provided to us by the relevant lessors. Therefore, we cannot assure you that such lessors are entitled to lease the relevant real properties to us. It is also likely that the construction of such leased properties was illegal and such properties may be ordered by relevant governmental authorities to be demolished. As of the Latest Practicable Date, five out of our 18 leased properties in China were subject to potential title defects. If any of the foregoing happens, we may not be able to continue to use such leased properties and have to relocate to other premises. We cannot assure you that suitable alternative locations are readily available on commercially reasonable terms, or at all, and if we are unable to relocate our operations in a timely manner, our operations may be adversely affected. In addition, we also lease properties in other jurisdictions and may be subject to similar issues or risks.

In addition, under the PRC laws and regulations, all lease agreements are required to be registered with the local land and real estate administration bureau. The lease agreements for 17 of our leased properties in China have not been registered with the relevant PRC governmental authorities. Although failure to do so does not in itself invalidate the leases, we may be subject to fines if we fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC governmental authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors.

We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees, outsourced labor, suppliers, distributors or other third parties.

We sell our products in approximately 190 countries and regions through a multi-channel distribution network comprising a large number of third-party system integrators, installers and EPCs. We are subject to the risk that fraud or other misconduct could be committed by our employees, outsourced labor, suppliers, distributors or other third parties, including but not limited to misappropriation of assets, manipulation of financial records, bribery and corruption, embezzlement, unauthorized use of proprietary information, violation of applicable laws and regulations, or other activities that are inconsistent with our policies and procedures. Such misconduct could involve improper activities on behalf of, or directed at, us that violate applicable anti-corruption laws such as the PRC Criminal Law, the Supervision Law and the Anti-Unfair Competition Law of the PRC, as well as comparable anti-corruption and anti-bribery laws and regulations in other jurisdictions where we operate.

Although we have implemented internal control policies and procedures designed to detect and prevent misconduct, including employee codes of conduct, anti-corruption and whistleblowing policies, supplier management procedures and periodic internal audits, these measures may not be effective in all cases. Given the breadth of our international operations, the large number of third-party intermediaries in our distribution network, and the diversity of regulatory environments in which we operate, it may be difficult for us to detect or prevent all instances of fraud or misconduct in a timely manner. Any such misconduct, whether or not resulting in a violation of law, could expose us to financial losses, legal liabilities, regulatory investigations, reputational damage and disruption to our operations. If any of our employees, agents or business partners are found to have engaged in illegal or improper activities, we could be subject to civil or criminal penalties, contractual damages, government sanctions or loss of business licenses, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

We are exposed to risks associated with product liability claims in the event that the use of our products results in property damage or personal injury. Since our products are ultimately incorporated into electricity generating systems, it is possible that users could be harmed by devices that use our products, whether as a result of product malfunctions, defects, improper installations or other causes. We are unable to predict whether product liability claims will be brought against us in the future or to predict the impact of any resulting adverse publicity on our business. The successful assertion of product liability claims against us could result in potentially significant monetary damages and require us to make significant payments. Currently, we only have product liability insurance coverage in the United States, and we may not have adequate resources to satisfy a judgment in the event of a successful claim against us. Any business interruption, natural disaster or accident could result in substantial losses and diversion of our resources and materially adversely affect our business, financial condition and results of operations.

Risks Relating to Doing Business in the Jurisdictions Where We Operate

The legal systems of the jurisdictions in which we operate are evolving and may have uncertainties that could limit the legal protection available to us.

We are subject to dynamic laws and regulations governing the sustainable energy industry in China and other markets where we operate. Laws and regulations recently enacted in our industry may not comprehensively cover all aspects of economic activities. In particular, the interpretation and enforcement of these laws and regulations may be subject to future implementations. We cannot predict the effect of future legislative developments in the PRC and other jurisdictions on the sustainable energy industry including the enactment of new laws, amendments to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. Changes to laws and regulations applicable to our industry could lead to new and unexpected challenges. The history of prior enforcement activity, or lack of enforcement activity, cannot be predictive of future enforcement actions. Therefore, our business operations are subject to increased uncertainties and risks. Any enforcement actions against us could have a material adverse effect on us. Any litigation or governmental investigation or enforcement proceedings may be protracted and may result in substantial cost, diversion of resources and management attention, negative publicity, and damage to reputation. As a result, our business, results of operations and financial condition may be adversely affected.

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Administrative Measures**") and five supporting guidelines, which has become effective on March 31, 2023. The Trial Administrative Measures, require, among others, that PRC domestic enterprises that seek to offer and list securities in overseas markets, either directly or indirectly, to file the required documents with the CSRC within three business days after its application for overseas listing is submitted. See "Regulations—Regulations Relating to Overseas Listing" for details.

On February 24, 2023, the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Archives Rules**"), which came into effect on March 31, 2023 and aims to expand the applicable scope of the regulation to indirect overseas offerings and listings by PRC domestic companies and emphasize the confidentiality and archive management duties of PRC domestic companies during the process of overseas offerings and listings. See "Regulations—Regulations Relating to Overseas Listing" for details. Failure to comply with which may materially affect our business, results of operations or financial conditions.

If the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we or our shareholders obtain their approvals or accomplish the required filing or other regulatory procedures for the [**REDACTED**], future financing activities or any subsequent change in shareholding structure, we and our shareholders may be unable to fulfill such requirements in a timely manner or at all. We may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorization, or perform filing procedures, for our future financing activities, and these regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, limit our ability to pay dividends outside the PRC, delay or restrict the repatriation of the proceeds from such future financing activities into the PRC or take other actions to restrict our financing activities, which could have a material and adverse effect on our financial conditions and business prospects.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company incorporated in Cayman Islands, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders and service any debt we may incur. For a detailed discussion of applicable PRC regulations governing distribution of dividends, see "Regulations—Regulations Relating to Dividend Distribution." Additionally, if our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends or make other distributions to us.

Any restriction on currency exchange may limit the ability of our PRC subsidiaries to use their Renminbi revenues to pay dividends to us. The PRC government may continue to strengthen its capital controls, and more restrictions and a substantial vetting process may be put forward by SAFE for cross-border transactions falling under both the current account and the capital account. Our PRC subsidiaries' dividends and other distributions may be subject to tightened scrutiny in the future. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

In addition, the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and its implementation rules provide that a withholding tax at a rate of 10% will be applicable to dividends payable by PRC companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC resident enterprises are tax resident. See "—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders."

Increases in labor costs and enforcement of stricter labor laws and regulations in China may adversely affect our business and our profitability.

China's overall economy and the average wage in China have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to customers, our profitability and results of operations may be materially and adversely affected.

In addition, we have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions insurance, housing provident fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law (《中華人民共和國勞動合同法》) and its implementation rules, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employee's probation, and unilaterally terminating labor contracts. In addition, enterprises are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with the laws and regulations. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

We engage independent third-party employment agencies to recruit and supply workers primarily for our manufacturing operations in China. In December 2012, the Labor Contract Law was amended and in January 2014, the Interim Provisions on Labor Dispatch ((勞務派遣暫行規定》) were promulgated, to impose more stringent requirements on the use of employees of temp agencies, who are known in China as "dispatched workers." The Interim Provisions on Labor Dispatch provides that the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers). Pursuant to relevant PRC laws and regulations, if an employer violates regulations related to labor dispatch, the labor administration department will order it to make corrections within a specified period. Failure to make corrections within the given period may lead to a fine ranging from RMB5,000 to RMB10,000 per person. We cannot assure you that we have complied, or as the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that we will be able to comply with all labor-related law and regulations, including those relating to obligations to make social insurance payments, to contribute to the housing provident fund, and to make overtime payment and other similar payment payable by us to our employees. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and be subject to orders by competent labor authorities for rectification, and failure to comply with the orders may further subject us to administrative fines. In such an event, our business, financial condition, and results of operations will be adversely affected.

Our business may be negatively affected by the potential obligations if the relevant PRC authorities determine that we shall make supplemental social insurance and housing provident fund contributions or that we are subject to fines and other administrative penalties in relation to our failure to make social insurance and housing provident fund contributions in full.

We are required by PRC labor laws and regulations to pay various statutory employee benefits, including pensions insurance, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, and housing provident fund, to designated government agencies for the benefit of our employees and associates. During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident fund with respect to our employees, as required by the relevant PRC laws and regulations, and our Company and our subsidiaries engaged third-party human resource agencies to pay social insurance and housing provident funds for some of our employees. According to the relevant PRC laws and regulations, (i) for outstanding social insurance fund contributions that we did not fully pay within the prescribed deadlines, the relevant PRC authorities may demand that we pay the outstanding social insurance contribution within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount of each day of delay; if each of the PRC subsidiaries of the Group had been ordered to rectify the insufficient contributions during the Track Record Period to social insurance within the time period specified by the administrative authority but it had failed to do so, the maximum penalties that might have been imposed on the Group in that regard would be RMB431.7 million, which is three times of the total unpaid amount of social insurance contributions as of the end of the Track Record Period; and (ii) for the housing provident fund registration that we fail to complete before the prescribed deadline, the relevant government authorities may demand that we complete the housing provident fund registration by a stipulated deadline. If we fail to rectify by that deadline, we may be subject to an order from the relevant People's court for compulsory enforcement. In addition, our subsidiaries operating in overseas jurisdictions are subject to local employee benefit and pension requirements. If any applicable statutory pension scheme or collective labor agreement were determined to apply to our overseas subsidiaries, we could be required to make contributions or payments or comply with other requirements, which could result in additional costs and adversely affect our financial condition. We cannot assure you that we have complied or will be able to comply with all labor-related law and regulations including those relating to obligations to make social insurance payments and contribute to the housing provident funds. If the relevant authorities in the jurisdictions where we operate determine that we shall make supplemental social insurance and housing provident fund contributions or that we are subject to fines and other administrative penalties in relation to our failure to make social insurance and housing provident fund contributions in full for our employees, our business, financial condition, and results of operations may be adversely affected.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the **[REDACTED]** ***of this*** **[REDACTED]** ***to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.***

We are an offshore holding company conducting our operations in China through our PRC subsidiaries. We may make loans to our PRC subsidiaries subject to the approval from or registration with governmental authorities and limitation on amount, we may make additional capital contributions to our PRC subsidiaries, we may establish new PRC subsidiaries and make capital contributions to these new subsidiaries, or we may acquire offshore entities with business operations in China in an offshore transaction.

Any loans to our PRC subsidiaries, which are treated as foreign-invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE, and medium or long-term loans by us to our PRC subsidiaries must be recorded and registered with the NDRC.

Additionally, if we finance such subsidiary by means of additional capital contributions, these capital contributions must be registered, reported to or filed with certain government authorities, including the Ministry of Commerce, the State Administration for Market Regulation and the SAFE or their local counterparts. Failure to comply with such regulations may result in fines and penalties.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, or at all, with respect to future loans by us to our PRC subsidiaries or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the [**REDACTED**] from our [**REDACTED**] and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC law.

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment Through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities as well as foreign individuals that are deemed as PRC residents for foreign exchange administration purposes) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 further requires amendment to the SAFE registrations in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as change of a PRC individual shareholder, name and operation term, or any significant changes with respect to the offshore special purpose vehicle, such as increase or decrease of capital contribution, share transfer or exchange, or mergers or divisions. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) released on February 13, 2015 by the SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015. The PRC residents shall, by themselves or entrusting accounting firms or banks, file with the online information system designated by SAFE with respect to its existing rights under offshore direct investment each year prior to the requisite time.

We have used our best efforts to notify PRC residents who directly or indirectly hold shares in our Cayman Islands holding company and who are known to us as being PRC residents to timely complete the foreign exchange registrations and the relevant changes and annual filings of their existing rights under offshore direct [**REDACTED**]. However, due to inherent uncertainty in the implementation of the regulatory requirements by the PRC authorities, such registration might not be always practically available in all circumstances as provided in those regulations. Furthermore, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest in our Company, nor can we compel all shareholders or beneficial owners who are PRC residents to comply with SAFE registration requirements or other regulations relating to overseas [**REDACTED**] activities issued by NDRC and MOFCOM. We cannot assure you that all shareholders or beneficial owners of ours who are PRC residents have complied with, and will in the future make, obtain, or update any applicable registrations or approvals required by, SAFE regulations or other regulations relating to overseas [**REDACTED**] activities issued by NDRC and MOFCOM.

The failure or inability of such shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, or other regulations relating to overseas [**REDACTED**] activities issued by NDRC and MOFCOM, could subject us to fines or legal sanctions, restrict our overseas or cross-border [**REDACTED**] activities, limit our PRC subsidiaries' ability to make distributions or pay dividends to us or affect our ownership structure. As a result, our business operations, and our ability to distribute profits to you could be materially and adversely affected.

Any failure to comply with relevant regulations regarding the registration requirements for employee stock incentive plans may subject our plan participants or us to fines and other legal or administrative sanctions when we adopt incentive plans in the future.

Pursuant to SAFE Circular 37, PRC residents who participate in stock incentive plans in overseas non-publicly-listed companies may, prior to the exercise of an option, submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. After the [**REDACTED**], our Directors, executive officers and other employees who are PRC citizens or who are non-PRC citizens residing in the PRC for a continuous period of not less than one year, subject to limited exceptions, and whom we may grant RSUs, options or restricted shares, may follow the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), issued by SAFE in February 2012, to apply for the foreign exchange registration. According to those regulations, employees, directors and other management members participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which may be a PRC subsidiary of the overseas listed company, and complete certain other procedures. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit their ability to make payment under the relevant equity incentive plans or receive dividends or sales proceeds related thereto in foreign currencies, or our ability to contribute additional capital into our domestic subsidiaries in China and limit our domestic subsidiaries' ability to distribute dividends to us. We also face regulatory requirements under applicable laws that could restrict our ability to adopt additional equity incentive plans for our Directors, executive officers and other employees. In addition, the State Taxation Administration (國家稅務總局) (the "**STA**") has issued circulars concerning employee RSUs, share options or restricted shares. Under these circulars, employees working in the PRC whose RSUs or restricted shares vest, or who exercise share options, will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company have obligations to file documents related to employee RSUs, share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees related to their RSUs, share options or restricted shares. Although we currently withhold income tax from our PRC employees in connection with their exercise of options, if the employees fail to pay, or the PRC subsidiaries fail to withhold, their income taxes according to relevant laws, rules and regulations, the PRC subsidiaries may face penalties imposed by the tax authorities. If we are subject to any such penalties or sanctions, our business, financial condition and results of operations could be materially and adversely affected.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a PRC resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise.

We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we will be subject to the enterprise income tax on our global income at the rate of 25% and we will be required to comply with PRC enterprise income tax reporting obligations. In addition, gains realized on the sale or other disposition of our ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises unless otherwise reduced or exempted by relevant tax treaties or similar arrangements, or 20% in the case of non-PRC individuals, if such gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your [**REDACTED**] in our Shares.

In addition to the uncertainty as to the application of the "resident enterprise" classification, we cannot assure you that the PRC government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements or higher tax rates. Any of such changes could materially and adversely affect our financial condition and results of operations.

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

We face uncertainties on the reporting and consequences of future private equity financing transactions, share exchanges or other transactions involving the transfer of shares in our Company by [**REDACTED**] that are non-PRC resident enterprises. The PRC tax authorities may pursue such non-resident enterprises with respect to a filing or the transferees with respect to withholding obligation, and request our PRC subsidiaries to assist in the filing. As a result, we and non-resident enterprises in such transactions may become at risk of being subject to filing obligations or being taxed under the relevant tax regulation of the PRC, and may be required to expend valuable resources to comply with them or to establish that we and our non-resident enterprises should not be taxed under these regulations, which may have a material adverse effect on our financial condition and results of operations.

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

All of our executive Directors and executive officers reside within China, and substantially all of our assets are located within China. Therefore, it may be difficult for [**REDACTED**] to effect service of process upon us or our executive Directors and officers inside China or to enforce against us or them in China any judgments obtained from non-PRC courts. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

On January 18, 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the 2019 Arrangement, which seeks to establish a bilateral legal mechanism that provides clarity and certainty for the recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and China, based on criteria other than a written choice of court agreement. The 2019 Arrangement became effective on January 29, 2024 both in China and in Hong Kong. Although the 2019 Arrangement has been signed, the outcome and effectiveness of any action brought under the New Arrangement may still be uncertain. We cannot assure you that an effective judgment that complies with the 2019 Arrangement can be recognized and enforced in a PRC court.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

RISK FACTORS

[**REDACTED**]