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OVERVIEW

Who We Are

We are a globalized solar-plus-storage products manufacturer, committed to delivering PV and energy storage products that provide clean and sustainable energy to users worldwide. In particular, according to Frost & Sullivan, we are the world’s largest supplier of residential energy storage inverters in terms of revenue in 2025. Our new energy business – centered on energy storage inverters, energy storage batteries and PV inverters – is our core and primary growth segment. We complement this with our long-standing environment management appliance business, where we primarily supply dehumidifiers, solar air conditioners and heat exchangers. This strategically diversified product portfolio allows us to achieve business growth and resilience.

Driven by the global shift toward new energy, we meet evolving market needs by offering a complete suite of products tailored for a wide range scenarios spanning residential and commercial and industrial (“C&I”) application. Our diversified and versatile product portfolio has enabled us to expand to more than 150 countries and regions in six continents.

Our Market Opportunities

We operate at the forefront of a changing global energy landscape with increasing demand for reliable energy storage products and solutions. We identified residential energy storage as a compelling market opportunity and, in 2018, we entered this high-growth market and launched an energy storage inverter that seamlessly combines multiple electricity sources. We believe our early entry has created a sustainable first-mover advantage in a market that has been experiencing rapid expansion.

Through keen insight, we have identified and penetrated high-potential markets worldwide that are characterized by high electricity costs, grid instability and limited access to reliable power infrastructure. For example, in 2018, we became one of the first Chinese manufacturers to launch split-phase energy storage inverters in North America, for which we had secured a UL certification, a widely recognized certification in North America. In 2019, recognizing the acute power shortages in South Africa, we launched low-voltage residential storage products for the South African market and subsequently replicated this successful business model in other international markets as well. Our disciplined, research-driven geographic expansion has allowed us to achieve exponential growth in our overseas business.

Our market leadership is grounded in sustained technological iterations. Our residential energy storage inverters mainly adopt a low-voltage, high-current architecture that delivers superior performance in expandability, reliability and maintainability. Through continuous optimization of system topology, advanced materials, low-internal-resistance components and innovative thermal management, we have developed products that can deliver superior performance. Our inverters integrate technological innovations and practical capabilities that deliver tangible benefits to customers, including seamless diesel generator integration for power continuity, multi-unit parallel connection for flexible capacity expansion, efficient on-grid and off-grid switching for system stability and multi-brand battery compatibility that avoids vendor lock-in. According to Frost & Sullivan, this combination of technical performance and practical functionality has cemented our leadership in the residential energy storage sector.

We are actively expanding into diverse application scenarios while continuously enhancing our product portfolio. Building on our success as a leader in residential energy storage inverters, we are now capturing significant opportunities in the growing C&I energy storage market. In addition, we maximize the synergies between our inverters and energy storage batteries to deliver integrated energy storage products that offer customers greater configuration flexibility

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and modular compatibility, increasing customer stickiness among those seeking comprehensive, end-to-end energy products and solutions.

According to Frost & Sullivan, we have achieved comparable growth during this period, becoming the world’s largest provider of residential energy storage inverters by revenue in 2025. We believe that our keen consumer insight, rapid and demand-shaping responsiveness, global channel and after-sales capabilities, cost optimization and highly effective execution position us to capture substantial market growth opportunities, establish new growth engines and become a global leader in the diversified new energy industry.

Our Business

We have strategically focused our efforts on the new energy sector, positioning ourselves as a comprehensive provider of integrated solar and energy storage products. Core products in our new energy business are energy storage inverters, energy storage batteries and PV inverters. Complementing our new energy business offerings, our environment management appliances segment – which includes dehumidifiers, solar air conditioners and heat exchangers – has consistently delivered strong performance for our business. Supported by our cloud platform for unified device management and analytics, we operate a diversified business that captures synergies between new energy products and environment management appliances.

- ***Energy Storage Inverters:*** Energy storage inverters are core to our product portfolio. Energy storage inverters convert direct current to grid-compliant alternating current while incorporating advanced energy storage capabilities. Our energy storage inverters are among the first to support seamless on-grid and off-grid switching within as little as 4 milliseconds, ensuring continuity of power for critical loads. It also support up to six programmable charge-discharge time periods for peak-shaving and valley-filling. Our range of energy storage inverters encompasses single-phase low-voltage, three-phase low-voltage and three-phase high-voltage configurations, with power ratings ranging from 3kW to 125kW serving residential and C&I applications. According to Frost & Sullivan, by revenue, we ranked first globally in the residential energy storage inverter market in 2025.
- ***Energy Storage Batteries:*** We offer a comprehensive line of energy storage batteries designed for different applications. Our “Spring,” “Summer,” “Autumn” and “Winter” series of energy storage batteries are optimized for low-voltage residential storage, high-voltage residential and commercial storage, micro-storage and large-scale C&I storage, respectively. This segmented approach allows us to address the full spectrum of customer needs. Our energy storage batteries are fully compatible with our complete range of energy storage inverters, creating significant cross-selling opportunities and channel synergies. All our energy storage batteries utilize battery cells with excellent safety characteristics and operates effectively across a wide temperature range. The modular design of our energy storage batteries ensures flexibility and scalability, while straightforward installation minimizes deployment complexity.
- ***PV Inverters:*** Our PV inverter product portfolio comprises string inverters and microinverters. String inverters connect multiple PV modules in series, converting the resulting direct current into alternating current. Our use of multiple MPPTs optimizes power extraction from different module strings, with power ratings ranging from 1kW to 136kW, making these PV inverter products suitable for residential and small commercial installations. Our microinverters can perform individual module-level MPPT, enabling superior performance in shaded conditions and high tracking precision. Our microinverters support remote shutdown capabilities and offer power

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ratings from 300W to 2,250W, making them ideal for installations with partial shading or where safety requirements are critical. According to Frost & Sullivan, we rank sixth globally by revenue in the residential PV inverter market, with a market share of 2.1% in 2025.

- ***Environment Management Appliances:*** Our portfolio of environment management appliances primarily includes dehumidifiers, solar air conditioners and heat exchangers. Our dehumidifiers are engineered for superior moisture control performance, high heat exchange efficiency, low noise operation and robust water resistance, while maintaining a high level of energy efficiency and environmental sustainability. Drawing on decades of technical expertise, we provide customized humidity control products for diverse operating environments. We were also one of the lead drafters of the latest “National Standard of the People’s Republic of China: Dehumidifiers (GB/T 19411).” Our solar air conditioners feature high energy efficiency, intelligent control and strong resilience to extreme environments. In particular, our solar air conditioners deliver superior performance stability in high-temperature conditions, which is a critical requirement for markets in the Middle East and Africa. By leveraging this multi-climate adaptability, we are successfully expanding the international sales network of our solar air conditioners. According to Frost & Sullivan, in heat exchangers, we maintain a leading position in the domestic market and have accumulated extensive manufacturing experience. We are one of China’s largest specialized manufacturers of finned-tube heat exchangers, according to Frost & Sullivan.

We leverage Internet of Things (“**IoT**”) and artificial intelligence technologies to enhance our products. In particular, “Deye Cloud” serves as the online operation and maintenance platform for our new energy products, supporting customizable charging and discharging, peak-shaving and valley-filling functions, and its Deye Copilot feature enables the energy storage system to access local dynamic electricity prices. The “Deye Smart” App serves as the remote control and management platform for our dehumidifiers, offering monitoring, control and analytics capabilities. Users can track real-time system performance, adjust parameters remotely and perform online firmware updates. Together, these platforms improve visibility, control and reliability, helping users optimize energy usage and manage devices more effectively.

We have also launched a range of AI applications built on the intelligence core, including “Lingji (靈基)”, an internal knowledge base built on a large language model, “Lingjian (靈鑒)”, an application for smart manufacturing quality control, “Lingdiao (靈調)”, a smart system for equipment power trading and dispatch, “Lingsi (靈思)”, an intelligent global customer service system and “Lingwei (靈維)”, an AI-empowered operation and maintenance management system. We are deeply committed to the synergistic development of “AI + New Energy + Lifestyle,” establishing a digital energy hub that integrates power generation, energy storage, electricity usage and management. By leveraging AI algorithms, we enhance energy efficiency and service quality, consistently providing users with a more efficient, safer and smarter experience.

Our R&D Capabilities

We are committed to advancing technologies and building innovation-driven competitive advantages. Our research and development efforts focus on translating complex breakthroughs into robust, real-world solutions that enhance product performance and reliability. For example, our primary-secondary strategy supports the parallel operation of up to 16 inverters. To keep these units coordinated and aligned, we use an algorithm that synchronizes both hardware triggers and software logic. According to Frost & Sullivan, our circuit control technology increases solar energy utilization and inverter power-conversion efficiency, ensures the stability of PV inverters and delivers exceptional conversion efficiency.

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Our technological advantages are driven by substantial investments in R&D infrastructure and talent. We have established four research and development centers strategically located in different cities to support our different product lines. The R&D center in our Ningbo Beilun headquarters focuses on inverter product technology upgrades. Our R&D centers in Cixi and Haiyan focus on the development of energy storage battery technologies and environment management appliance technologies, respectively. Our Shanghai Cuiji Innovation Center concentrates on AI platform and IoT development and commercialization. Our research infrastructure also includes 40 certified testing laboratories, among which are a laboratory accredited by China National Accreditation Service for Conformity Assessment (CNAS) and a joint research center with the Chinese Academy of Sciences focused on air purification technology. We have completed over 700 independent testing projects for our new energy products and environment management appliances across UL, Electrical Testing Laboratories (“ETL”), and Conformité Européenne (“CE”) certifications. We have established a third-generation semiconductor joint laboratory and have either led or actively participated in the development of 32 industry standards.

We have built a research team through the establishment of postdoctoral research stations and targeted talent recruitment initiatives. As of April 30, 2026, our R&D team comprises 951 professionals. We commit significant investments to R&D. In 2023, 2024, 2025 and the four months ended April 30, 2026 our R&D expenses amounted to RMB436.4 million, RMB548.9 million, RMB562.1 million, RMB182.4 million and RMB222.9 million, respectively. As of April 30, 2026, we held 632 domestic patents.

Our ESG initiatives

We believe that sustainable value creation requires balancing the interests of all stakeholders. We are committed to the principles of “innovation” “coordination,” “green development,” “openness” and “sharing” and adopted a business philosophy centered on quality and value creation. Our mission is to build a green industry for a bright future. As we pursue technological advancement and market expansion, we remain committed to generating returns for shareholders, supporting our employees and fulfilling our social responsibilities, with the ultimate goal of creating shared value for all stakeholders.

We are committed to sustainable development and advancing China’s dual carbon goals through aggressive expansion of our new energy business, including energy storage inverters and energy storage batteries. Certified as a “green factory” by the PRC Ministry of Industry and Information Technology, we strictly control greenhouse gas emissions throughout our production processes and actively promote the use of clean energy. Our waste and pollutants are managed in accordance with regulatory requirements to ensure clean operations. We have integrated ESG considerations into our corporate strategy and established a comprehensive sustainability management system embedded throughout our operations. This approach ensures alignment between top-down strategic direction and bottom-up execution, enabling us to systematically advance our sustainability goals. We conduct regular materiality assessments to identify priority ESG issues and enhance the transparency of our public disclosures through periodic ESG reporting.

From January 2023 to the Latest Practicable Date, we donated approximately RMB12 million to support communities in need through multiple initiatives including educational support, rural revitalization and medical assistance. In November 2025, following the Wang Fuk Court fire in Taipo, Hong Kong and as part of our disaster-relief and community-resilience initiatives, we donated HK\$5 million to the Wang Fuk Court Relief Fund in Hong Kong to provide medical assistance, support the post-disaster resettlement of affected residents and finance reconstruction efforts.

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We believe that attracting and retaining exceptional talent is paramount to our long-term success. We have adopted a talent philosophy that prioritizes people and shared success, placing significant emphasis on employee development and career advancement. We provide comprehensive training opportunities and clear career progression pathways for all employees. We implemented equity incentive programs since our A Share Listing and launched employee stock ownership plans in 2024 and 2025, collectively benefiting over 600 key employees. This approach enables our workforce to share in our success while fostering organizational vitality through scientifically designed incentive mechanisms.

We are committed to delivering consistent returns to our shareholders. Since we became listed on the Shanghai Stock Exchange in 2021, we have paid dividends every year. During the Track Record Period, we distributed RMB4.4 billion in dividends, representing a dividend payout ratio (calculated by dividing the total dividends distributed by net profits attributable to the owners of the Company) of approximately 61.4%. In addition, we have conducted share repurchases in response to market conditions, with repurchases of RMB300.0 million during the Track Record Period. These actions reflect our strong profitability and our commitment to sharing the benefits of our growth with our shareholders.

Our Financial Performance

We have delivered consistent revenue growth and profitability throughout the Track Record Period. During 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, we achieved total revenue of RMB7.5 billion, RMB11.2 billion, RMB12.2 billion, RMB3.5 billion and RMB6.2 billion, respectively, with corresponding net profits of RMB1.8 billion, RMB3.0 billion, RMB3.2 billion, RMB0.9 billion and RMB1.6 billion.

Our profitability metrics reflect solid operational performance. In 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, we recorded a gross profit margin of 39.2%, 38.6%, 38.0%, 36.2% and 39.1%, respectively, a gross profit margin for sales of our energy storage inverters of 55.0%, 51.8%, 51.1%, 50.9% and 51.1%, respectively, and a net profit margin of 23.9%, 26.4%, 25.9%, 26.2% and 26.1%, respectively.

OUR COMPETITIVE STRENGTHS

Leading Provider of Solar-Plus-Storage Products

We are a leading provider of solar-plus-storage products amidst the global shift toward new energy. We have systematically developed leading technologies in inverters and energy storage batteries through continuous innovation and disciplined product development, forming a coherent new energy product portfolio. Our inverters and energy storage batteries products serve residential and C&I customers in diverse application scenarios worldwide. According to Frost & Sullivan, this strategic focus positions us among the leading global providers of solar-plus-storage products.

According to Frost & Sullivan, in 2025, we ranked first globally by revenue in the residential energy storage inverter market, and we ranked in the top ten globally by revenue for residential energy storage systems. In the highly competitive European market, we have achieved rapid market penetration by tailoring our product offerings to match the specific needs and competitive landscape of each region, ranking in the top ten in the residential energy storage inverters market in terms of revenue in 2025. In rapidly growing regions such as Africa and the Middle East, our competitive products have enabled us to establish commanding market positions. For residential energy storage inverters, we ranked first in the South African market and among the top five in the Middle-Eastern market by revenue in 2025, according to Frost & Sullivan. Through consistent execution across multiple markets, we now operate in over 150 countries and regions, a testament to the global appeal of our products.

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Our business model generates significant synergies across manufacturing, technology and distribution channels. In our over two decades of experience in environment management appliances, we have established a vertically integrated supply chain, rigorous quality control systems and lean cost management capabilities. This operational foundation has enabled us to efficiently scale and propel our new energy business to becoming one of our core growth engines. We are among the few leading inverter providers offering a complete product portfolio – energy storage inverters, string inverters and microinverters – that comprehensively addresses diverse customer requirements. This breadth enables us to serve customers with fully integrated products that are tailored to their specific applications. We have also strategically expanded from inverters into energy storage batteries, leveraging our established distribution channels to accelerate adoption and create a more compelling value proposition. Our customers benefit from tightly integrated products and systems that deliver outstanding performance and reliability.

We are focused on delivering tailored energy storage products for residential and commercial customers, with the strategic goal of evolving from a hardware provider to a comprehensive energy solutions company. In residential energy storage, we integrate inverters, energy storage batteries and our Deye Cloud platform to help customers maximize the value of their new energy deployment. For commercial customers, we offer modular products engineered for flexibility and seamless expansion. In addition, through upgraded IP65 protection and the rollout of a portfolio of integrated “solar + storage + charging” products, we cater to the diverse demands of outdoor C&I applications. In the emerging micro energy storage segment, we have extended our product reach to new use cases – including balcony storage, outdoor camping and emergency power – strengthening our brand recognition and expanding brand presence in new customer segments.

Our execution across global markets and diverse applications has earned recognition from leading industry organizations. We have secured multiple certifications, recognitions and awards, including 2025 Solar Prosumer Award from the EUPD Research and the Best Inverter Award from the PV Magazine. These accolades reflect the quality of our engineering and reinforce our position in the global energy storage market.

Outstanding Product Performance Setting Industry Standards and Shaping Market Trends

We have developed exceptional product capabilities that drive our competitiveness. In our new energy segment, we combine high-performance inverters with comprehensive coverage of application scenarios and deep integration with energy storage batteries to establish clear advantages in energy storage. In environment management appliances, we leverage technological innovation and rigorous quality control to deliver intelligent, quiet dehumidifiers and multi-climate adaptable solar air conditioners that reinforce our market leadership.

Energy Storage Inverter: Our energy storage inverters set industry benchmarks for electricity supply switching performance. We were among the first to achieve 4-millisecond on-grid and off-grid switching for energy storage inverters, enabling reliable operation across diverse grid environments. Our inverters feature exceptional expandability, including pioneering integration with diesel generators to ensure continuous power supply during extended outages or extreme weather events. Our energy storage inverters feature advanced charge-discharge optimization and support up to six user-defined profiles, enabling precise responses to time-of-use tariffs. Leveraging the AI system on the Deye Cloud platform, they automatically formulate optimal buy and sell strategies, allowing flexible adaptation to dynamic electricity pricing.

In the residential segment, we pioneered 16kW single-phase and 20kW three-phase low-voltage inverters that address higher power demands. Our low-voltage inverters have achieved outstanding conversion efficiency, delivering performance comparable to high-voltage systems while offering safety, cost advantages and simplified installation and maintenance. In

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the C&I energy storage segment, we were among the first to launch a 50kW three-phase high-voltage energy storage inverter, pioneering the use of energy storage inverters in C&I projects. As of the Latest Practicable Date, we had raised the maximum power rating of our C&I storage inverters to 125kW to meet larger-scale C&I storage needs. In the micro-storage segment, we have introduced a series of products ranging from 800W to 2.5kW with plug-an-play designs to serve users without the conditions for traditional residential storage installations; they also support outdoor portable use and off-grid parallel operation for scenarios such as outdoor construction and emergency disaster relief.

Energy Storage Batteries: Our energy storage batteries deliver breakthrough performance in both capability and safety. They support rapid response to charging and discharging demands and significantly improving energy efficiency. We employ a three-layer electrical safety protection system combined with three-layer thermal management strategies to precisely control operating temperatures and ensure safe, stable operation across complex conditions.

Our energy storage batteries are deeply integrated with our inverters both technically and commercially, creating unified synergies that are deployed globally in energy storage and backup power applications. Our proprietary “Lingdiao (靈調)” energy management system is designed to meet regional energy market requirements, helping residential users maximize energy revenue.

Environment management appliances: We have years of experience developing dehumidifiers, leveraging deep technical expertise to create products that excel in performance, efficiency, and reliability. Our proprietary second-generation condensation technology increases heat exchange efficiency by up to 12.5% as compared to our previous condensation technology, reducing energy consumption while delivering exceptional dehumidification. Through fan design optimization, airflow path refinement and improved sound-dampening materials, we have achieved noise reduction levels up to 12% below the current national standard for dehumidifiers, outperforming competitors in noise control. Our solar air conditioners combine high energy efficiency, intelligent controls and exceptional performance in extreme environments. We have achieved significant breakthroughs in the high-temperature applications critical to the Middle Eastern and African markets, expanding our global reach.

Efficient R&D and In-house Technological Capabilities

We have built an end-to-end innovation chain from technology research to industrial application by tightly integrating in house R&D, industry-academia partnerships and AI enablement, ensuring a seamless flow from market insight to product development and manufacturing. We have constructed an integrated research, sales and production system that enables rapid response to market needs. Our technical teams work directly with customers in residential and commercial settings to identify their product requirements, then collaborate with sales and manufacturing to evaluate performance, cost and feasibility. This integrated approach ensures that our innovations are both technically sound and commercially viable. We employ rigorous product lifecycle management processes with multiple validation stages and incorporate field feedback to drive continuous improvement. We achieve continuous technological iteration – and significantly improve product development efficiency and market fit – through rigorous product lifecycle management, multi-stage validation and the incorporation of after-sales feedback.

Our R&D extends beyond in-house capabilities. We have established collaborative research partnerships with leading universities, including a joint PV grid-integration laboratory with the Nanjing University of Aeronautics and Astronautics. We are also collaborating with Xi'an Jiaotong University on key technologies including thermal management of energy storage systems, cell lifetime prediction and graded fault early-warning. This collaborative innovation framework effectively links the full chain from basic research to technology development to

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industrial application, enabling significant breakthroughs in areas such as inverter topology design and energy storage system optimization.

Artificial intelligence is a critical component of our innovation strategy. Our proprietary Deye Cloud platform provides intelligent monitoring of battery-cell operating status and proactive protection, substantially enhancing energy storage system safety. The Deye Cloud platform supports dynamic pricing decisions and multi-energy coordination, positioning our inverters as the intelligent hub of microgrid systems. We have deployed a digitalized global after-sales service network that significantly improves customer experience. We have also built comprehensive intelligence systems across research, manufacturing and operations. This ecosystem approach has allowed us to advance our R&D vision of integrated new energy, smart living and AI-powered energy storage products and solutions.

Our proprietary technologies enable us to deliver comprehensive products across diverse applications and to establish a sustainable competitive moat grounded in our technological capabilities. We believe that this positions us to continue to shape the energy storage industry. For example, our residential inverters focuses on a low-voltage, high-current architecture. Through system topology optimization, advanced amorphous magnetic materials and innovative thermal design, we have overcome the traditional limitations of low-voltage systems – electromagnetic interference, core losses and thermal management – and converted the potential drawbacks of low-voltage technology into core strengths in safety and reliability. Our low-voltage inverters have achieved conversion efficiency approaching high-voltage systems while delivering superior safety and reliability.

In addition, we pioneered a three-port architecture for residential energy storage inverters that intelligently coordinates and seamlessly switches between multiple power sources including wind, grid, solar and diesel generation. In 2018, we solved the technical challenge of multi-unit parallel operation, successfully enabling 16 single-phase to operate in parallel. This breakthrough required sophisticated hardware design and complex control algorithms to address industry challenges in coordinated control and current circulation, providing scalable products for C&I storage applications.

In battery management, our BMS features multi-faceted innovations, including the innovative application of the “golden cap” capacity-balancing algorithm, which is up to three times as efficient as conventional algorithms, rapidly equalizing individual cell capacities to extend battery lifespan. Our energy storage batteries integrate gallium nitride power modules with optimized layouts to minimize energy losses, combined with precise internal resistance detection and adaptive control algorithms that continuously monitor battery health and dynamically adjust operating parameters to ensure stable system performance.

Global Sales Network with Integrated Marketing, Brand Expansion, and Deep Localization

We have developed sales capabilities in global localization. We engage customers through diverse marketing channels, leverage own-brand, OEM and ODM offerings to accelerate market entry, and support our offerings with localized after-sales networks that enhance responsiveness and service quality. We believe that this integrated approach strengthens our brand perception and customer loyalty, creating a competitive advantage that is difficult for others to replicate.

Our marketing combines online and offline channels to build global brand awareness. Online, we strengthen our digital presence through company websites, social media platforms and localized content that resonates with regional audiences. We also leverage influencer reviews and product education content to deepen market penetration. Offline, we actively participate in international trade shows and roadshows, using immersive experience zones to strengthen brand recognition and product understanding.

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When entering new markets, we also utilize OEM and ODM arrangements initially in order to quickly establish channel relationships and market presence. As market awareness grows and brand recognition increases, we transition to our proprietary brand, achieving a smooth and natural evolution. This approach balances speed of entry with long-term brand building. We have developed deep partnerships with regional distributors. Through targeted resource support, we cultivate win-win partnerships with distributors, efficiently driving the global penetration of the Deye brand.

We have established a comprehensive after-sales service infrastructure that delivers 24-hour response times and round-the-clock support. Our service centers provide professional diagnostic capabilities, multilingual technical training and standardized repair procedures, ensuring consistent service quality across global markets. We are committed to meeting local regulatory requirements across labor practices, corporate governance and industry standards, demonstrating our localization expertise and building trust with customers.

Manufacturing Expertise Delivering Enhanced Cost Control and Quality Management Capabilities

Our manufacturing capabilities have been repeatedly proven across multiple industries and customer segments. In our early years, we built our reputation as a reliable supplier of injection-molded components, serving renowned enterprises through fast delivery, cost efficiency and product reliability. As we expanded into inverters, our deep manufacturing expertise and quality management systems enabled us to quickly gain market acceptance. This track record demonstrates our ability to execute at scale across different product categories.

To build sustainable cost advantages, we have pursued vertical integration in both critical components and core structural parts. With respect to components, we pioneered the scalable domestic sourcing of insulated gate bipolar transistor (“IGBTs”), analog devices and digital circuits in 2021, establishing partnerships with Chinese manufacturers. Through system topology optimization and innovative thermal design, we are able to deliver new energy products with outstanding performance while reducing procurement costs. We have raised the share of locally manufactured components in our products to approximately 90%, substantially lowering component expenses. With respect to structural parts, leveraging over two decades of manufacturing experience, we produce key components in-house. Our vertically integrated manufacturing operation minimizes material costs and creates a cost advantage that competitors cannot easily replicate.

Leveraging our deeply integrated smart manufacturing system, we have built production lines that are efficient, lean and highly flexible. Our production lines incorporate multi-stage automation and comprehensive information systems integration, delivering continuous productivity gains. Our comprehensive quality management system throughout the production process has significantly improved product yield rates. As market demand grows, we have rapidly scaled production while maintaining quality standards. In 2025, shipments of energy storage inverters increased 42.7% year-over-year. Energy storage battery shipments grew at an even faster pace, increasing 67.2% year-over-year in 2025, establishing energy storage batteries as one of our major growth drivers. As production volumes continue to increase, our supply chain negotiating power strengthens, enabling further cost reductions and creating a virtuous cycle of improving margins and competitive position.

Visionary Management Team and Talent Team

Our founder, Mr. Zhang Hejun, brings over 50 years of industry experience combined with a global perspective and strategic foresight. Under his leadership, we have successfully navigated the transition to new energy while establishing early positions in emerging markets. As of April 30, 2026, our senior management team has an average of over 19 years of industry experience and more than 15 years of tenure with our company. This combination of deep

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expertise and organizational continuity has enabled us to build capabilities across technology development, market expansion and operational management. Our leadership team’s experience in navigating industry cycles and market transitions provides a solid foundation for strategic execution and risk management.

Our management team has demonstrated exceptional strategic judgment through “asymmetric competition.” In product selection, we strategically avoid the highly competitive large-scale utility market during our transition and instead focused on the less crowded residential segment, where we were able to establish clear differentiation. In market strategy, we pursue product upgrades and iterations in mature markets such as the United States and Europe while simultaneously expanding into emerging markets including South Africa, Brazil and Pakistan. This dual approach enables rapid scaling while building first-mover advantages. In technology development, we identified key market pain points – power shortages, weak grids and price sensitivity – and responded with our low-voltage inverter architecture, leveraging our deep expertise in variable frequency and power electronics to transition from a component supplier to comprehensive systems provider. In go-to-market approach, we employ a dual model combining proprietary brands with private-label arrangements, enabling efficient expansion across over 150 countries and regions while leveraging local partners to minimize market entry costs.

Our management team is committed to building sustainable competitive advantages through long-term investment in research and development. During the Track Record Period, we invested RMB1.8 billion in R&D, and as of April 30, 2026, 34.4% of our R&D personnel participate in equity incentive programs, aligning their interests with long-term value creation. This commitment to R&D talent retention ensures continuity in our innovation pipeline. We also uphold our core principle of “where virtue leads, prosperity grows,” delivering products and services that precisely address customer needs. Through this balanced approach of technology investment and brand building, we continuously enhance brand value and customer experience, creating a sustainable foundation for long-term growth.

OUR GROWTH STRATEGIES

Invest in R&D to Strengthen Core Competitive Barriers

We believe technology advancement is fundamental to long-term value creation. We are committed to increasing R&D investment across residential energy storage systems, high-power inverters, and solid-state transformers. This sustained investment will build a robust technology foundation to support product upgrades, maintain high margins, and establish durable competitive advantages.

We believe that third-generation semiconductors represent a critical technology frontier for the industry. We plan to integrate advanced semiconductor technologies into our inverter products to increase power density, improve conversion efficiency, reduce energy dissipation and cooling costs, and minimize product size. We are also committed to accelerating domestic sourcing of critical semiconductor components to optimize costs and enhance supply chain resilience.

We are pursuing several strategic technology initiatives to address emerging market needs. In hardware development, we are prioritizing solid-state transformer research and commercialization to enhance system efficiency and reduce device footprint so as to meet the demand for compact but high-power requirements of AI data centers. For emerging markets facing energy scarcity, we are developing intelligent microgrid technology that integrates central control and fiber-optic ring network architecture, enabling coordinated regional energy dispatch and strengthening local energy independence. As electricity pricing becomes increasingly market-driven, we are continuously enhancing our Deye Copilot AI platform to optimize energy trading decisions under dynamic pricing. For specialized applications, we are upgrading our

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third-generation residential storage systems with improved anti-interference algorithms and enhanced grid stability capabilities to perform reliably in weak-grid environments. We are also developing integrated solar-storage-charging solutions to address diverse commercial and residential power requirements.

In terms of scenario-specific advancements, we are committed to precisely matching market requirements through targeted product development. For commercial and large-scale storage applications, we are optimizing multi-unit coordination control technology for high-power converters to ensure stable parallel operation. For balcony storage applications, we are enhancing our microinverter products with integrated storage capabilities to meet European regulatory requirements and residential preferences. For zero-carbon home scenarios, we are developing home energy management algorithms that enable intelligent coordination between inverters, batteries and environment management appliances, creating integrated smart home energy systems.

Optimize Cost and Efficiency Through Global Manufacturing Footprint

We pursue a strategic global manufacturing footprint to support our growth objectives. Our capacity expansion strategy is guided by three core principles: regional market alignment, supply chain coordination, and geopolitical risk mitigation. We are building a two-tier manufacturing architecture with China as our core production hub and Southeast Asia as a complementary expansion center. This approach enables us to support both established and emerging markets while maintaining cost competitiveness and supply chain resilience.

Our domestic manufacturing operations will remain focused on high-value production activities and advanced manufacturing processes. Supported by our comprehensive domestic supply chain, these facilities ensure stable product supply and quality control for our most demanding applications. Our Southeast Asia operations are designed to serve regional market requirements while complementing our domestic capacity. We are implementing a phased capacity expansion plan, with our manufacturing facility in Johor, Malaysia currently under construction. This facility is planned to produce inverter products and energy storage batteries upon completion.

This two-hub strategy delivers multiple competitive advantages. Scale production at our core facilities enables us to spread fixed costs across higher volumes, reducing per-unit manufacturing costs. Our Southeast Asia operations leverage regional geographic and labor cost advantages to reduce overseas delivery costs and provide strategic protection against international trade barriers and tariffs. In addition, we are coordinating our capacity expansion with our global warehousing and logistics network to accelerate supply chain responsiveness and improve customer delivery timelines. This integrated approach ensures efficient global operations and strengthens our competitive position in international markets.

Deepen Channel Development to Build a Resilient Global Sales Network

We believe that combining localized service with product-market fit is essential to successful international expansion. We are aligning our product characteristics – low-voltage architecture, off-grid capability, and competitive pricing – with the specific needs of different markets. In emerging markets, we pursue market penetration and channel integration to strengthen our first-mover advantages. In mature markets, we employ differentiated strategies to build brand premium and capture higher-margin segments.

In emerging markets with limited power infrastructure – including Southeast Asia, the Middle East, and Africa – we are establishing after-sales service centers and service points across multiple countries and regions. We are prioritizing the promotion of off-grid systems and low-voltage storage products that directly address the energy challenges these markets face. We are also deepening partnerships with channel distributors to build strong channel barriers that

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competitors will find difficult to overcome. This combination of local service infrastructure and strong distributor relationships creates a competitive advantage that compounds over time.

In mature markets, we are pursuing differentiated positioning and regulatory compliance to build brand value and command premium pricing. In Europe, we are establishing local warehousing and after-sales centers to support our balcony-mounted residential energy storage and commercial energy storage product offerings, ensuring compliance with EU CE certification and eco-design requirements. In the United States, we are deepening partnerships with local distributors and utilizing ODM arrangements to accelerate market penetration. We are also responding to the rapid growth in European large-scale C&I storage by developing high-power and high-voltage products that enable differentiated competition in these higher-margin segments.

We recognize the importance of brand development in driving customer acquisition and loyalty. We are implementing integrated online and offline marketing campaigns to strengthen brand awareness and customer engagement across all markets. We are also building a comprehensive global after-sales support system with strategically positioned spare parts inventory and technical teams designed to respond to service requests within 48 hours. This commitment to service excellence reinforces our brand reputation and strengthens customer relationships across all geographies.

Expand Product Portfolio to Strengthen our Differentiated Competitive Moat

We will continue to drive product innovation through technology advancement, further developing our integrated ecosystem of inverters, energy storage systems and environment management appliances. Our product strategy is designed to precisely address diverse market segments including residential storage, C&I applications, utility-scale storage and data center power solutions. We are simultaneously advancing portable energy storage products and zero-carbon home energy solutions to align with global energy transition trends and address emerging market needs. In particular:

- ***Inverters:*** We are pursuing a comprehensive inverter strategy that combines full power range coverage with application-specific customization across three product categories: energy storage, string inverters and microinverters. In energy storage inverters, we have already introduced 125kW high-power energy storage converters for C&I applications. We will continue to enhance offline functionality through hardware architecture and semiconductor technology improvements to provide independent power supply for weak-grid regions and address power supply gaps in emerging markets across Asia, Africa, and Latin America. For string inverters, we will introduce higher-current and higher-power models to further reduce the cost of electricity for distributed solar application. In microinverters, we are focusing on the growing balcony solar market and enabling upgrades from solar-only systems to integrated solar-plus-storage systems.
- ***Energy Storage Batteries:*** We maintain low-voltage products as our core offering while deepening our presence in high-voltage applications. We have introduced low-voltage wall-mounted batteries designed for residential applications in Southeast Asia and Africa, and high-voltage rack-mounted systems that support multiple parallel units for commercial peak-shaving and valley-filling applications. We are also developing high-voltage commercial storage systems and data center energy solutions. We will continue to deepen the integration between our battery systems and inverters, leveraging our existing distribution channels to accelerate adoption. In addition, we are expanding into portable energy storage products for outdoor camping and

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emergency power applications, and we are developing integrated solar-storage-charging solutions that incorporate electric vehicle charging capabilities to provide comprehensive energy solutions across all scenarios.

- ***Environment Management Appliances:*** We are leveraging our market position in dehumidifiers to strengthen product synergies and integrated solutions. Building on our core dehumidifier business, we have introduced industrial-grade high-capacity models and humidification products. We are developing integrated zero-carbon home energy solutions that coordinate environment management appliances with our energy management systems, enabling intelligent coordination between residential storage, inverters, and environmental appliances systems. This integrated approach optimizes household energy consumption efficiency and strengthens the competitive positioning of our residential products.

Advance AI and Digital Capabilities to Enhance Product Value and Customer Experience

We will continue to invest in hardware, software, and IoT technologies to build upon our established Deye Cloud platform and AIoT technology foundation. Our strategic objective is to transition from a hardware equipment supplier to a comprehensive intelligent energy services provider. We will leverage integrated energy management and energy internet capabilities to align with industry trends toward greater intelligence and automation.

We are expanding our IoT infrastructure to connect inverters, energy storage batteries, environment management appliances, and EV chargers into an integrated intelligent network. This connectivity enables secure data sharing and coordinated management across devices, creating a unified energy ecosystem. We are scaling deployment of our Deye Copilot intelligent operating system and developing wireless energy management solutions based on long-range communications and edge computing technologies. These capabilities enable precise control of electricity pricing strategies and sophisticated battery charging and discharging management to optimize energy economics for customers.

Building on our mobile app and Deye Cloud platform integration, we are expanding functionality and user interaction capabilities. While maintaining strict data privacy and security standards, we are introducing enhanced value-added services including real-time device status visualization, remote system management, intelligent energy consumption analytics and 24/7 AI-powered customer support. These services provide customers with greater visibility and control over their energy systems while reducing operational friction.

We are enhancing our IoT platforms and expanding our virtual power plant programs to enable participation in electricity spot markets and support cross-regional energy trading. This capability allows our customers to monetize their energy assets while contributing to grid stability and efficiency. We recognize that data analysis is essential to continuous product improvement, and we are committed to conducting such analysis in compliance with applicable laws and regulations. By analyzing grid characteristics, consumption patterns and application requirements across different regions, we create a feedback loop that informs product development. This cycle – from data-driven R&D to product development and market launch – enables us to continuously enhance energy utilization efficiency and customer returns through AI-powered optimization.

OUR PRODUCT OFFERINGS

Our product portfolio comprise two main product categories: new energy products and environment management appliances. Our rich and in-depth product offerings across these two complementary product segments enable us to serve customers across multiple industries and geographic markets. Our new energy products – energy storage inverters, energy storage batteries and PV inverters – position us at the forefront of the global shift toward new energy,

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capturing high-growth opportunities as solar-plus-storage products and solutions become increasingly popular for distributed solar applications worldwide. Our environment management appliances provide stable performance for our business and demonstrating our operational excellence in mature, competitive consumer and industrial markets.

The table below sets forth a breakdown of our revenue by product category, in absolute amounts and as percentages of total revenue, for the periods indicated:

	Year ended December 31,				Four months ended April 30,					
	2023		2024		2025		2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(unaudited)									
	(RMB in thousands, except for percentage)									
New Energy Business										
– Energy storage inverters	3,501,237	46.8	4,387,333	39.2	5,217,464	42.7	1,382,462	39.1	2,616,803	42.4
– Energy storage batteries	884,323	11.8	2,451,296	21.9	3,832,409	31.4	909,938	25.8	2,756,391	44.6
– PV inverters	908,052	12.1	1,135,481	10.1	1,053,556	8.6	349,328	9.9	329,700	5.3
– Inverter accessories and others ⁽¹⁾	20,202	0.3	42,909	0.4	77,093	0.6	51,807	1.5	99,080	1.6
Subtotal	5,313,814	71.0	8,017,019	71.6	10,180,522	83.3	2,693,535	76.3	5,801,974	93.9
Environment Management Appliances Business										
– Dehumidifiers	703,877	9.4	969,174	8.6	805,298	6.6	241,103	6.8	193,318	3.1
– Solar air conditioners	66,390	0.9	208,508	1.9	240,967	2.0	96,748	2.7	130,974	2.1
– Heat exchangers	1,344,525	18.0	1,954,852	17.4	937,656	7.7	478,881	13.6	25,365	0.4
– Others ⁽²⁾	21,760	0.3	11,853	0.1	21,375	0.1	6,745	0.2	10,902	0.2
Subtotal	2,136,552	28.6	3,144,387	28.0	2,005,296	16.4	823,477	23.3	360,559	5.8
Others⁽³⁾	29,340	0.4	45,062	0.4	37,925	0.3	14,383	0.4	17,878	0.3
	7,479,706	100.0	11,206,468	100.0	12,223,743	100.0	3,531,395	100.0	6,180,411	100.0

Notes:

- (1) Others primarily included PV related engineering construction services.
- (2) Primarily included sale of auxiliary products such as variable frequency water pumps.
- (3) Primarily included sales of waste including copper and aluminum.

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The table below sets forth a breakdown of our shipment volume by product category for the periods indicated (excluding products categorized as parts or others):

	Year ended December 31,						Four months ended April 30,			
	2023		2024		2025		2025		2026	
	Average		Average		Average		Average		Average	
	Shipment	selling	Shipment	selling	Shipment	selling	Shipment	selling	Shipment	selling
	volume	price	volume	price	volume	price	volume	price	volume	price
	Unit'000	RMB	Unit'000	RMB	Unit'000	RMB	Unit'000	RMB	Unit'000	RMB
New Energy Business										
– Energy storage inverters	408.7	8,566.8	540.6	8,115.7	771.5	6,762.5	225.7	6,124.4	373.0	7,015.4
– Energy storage batteries	127.6	6,930.4	464.8	5,273.9	777.0	4,932.6	189.7	4,796.5	517.6	5,324.9
– PV inverters	480.2	1,891.0	830.9	1,366.6	862.2	1,222.0	375.8	929.6	354.8	929.2
Environment Management										
Appliances Business										
– Dehumidifiers	902.3	780.1	1,257.7	770.6	1,028.1	783.2	301.6	799.3	251.3	769.4
– Solar air conditioners	50.6	1,312.1	144.3	1,445.0	150.3	1,603.5	59.1	1,637.8	86.8	1,508.8
– Heat exchangers	5,278.8	254.7	7,538.2	259.3	3,412.2	274.8	1,807.4	265.0	105.3	240.8

New Energy Business

Our new energy business is at the forefront of the transition to sustainable new energy future, offering a comprehensive portfolio of products designed for seamless integration and optimal performance. We provide a comprehensive suite of products under our new energy business, encompassing energy storage inverters, energy storage batteries and PV inverters. These products enable our global customers to achieve greater energy independence, resilience and efficiency. Our products are engineered to work in harmony, providing a reliable and scalable foundation for a wide range of solar and energy storage applications. In particular, pairing our energy storage batteries with our proprietary inverters creates a purpose-built system designed for residential and small-scale C&I applications. This unified energy storage system integrates the inverter, battery and intelligent BMS to achieve coordinated control and optimized performance for scalable energy storage deployment. During the Track Record Period, 75.1%, 92.0%, 90.6% and 90.3% of our new energy products were sold in overseas markets, respectively.

Our new energy products are built on a foundation of deep technological innovation designed to solve real-world energy challenges. For example, our proprietary thermal management systems actively regulate temperature to prevent overheating, while our advanced control software dynamically adjusts power flow. Together, these technologies ensure reliable operation even in extreme climates, perfectly balancing efficiency with grid stability. Each energy storage battery includes an intelligent BMS that monitors its performance and provides real-time protection against over over-discharge, over-current and temperature extremes. We have developed a LoRa-based wireless energy management system, which creates a secure local network that coordinates inverters and batteries without complex wiring, drastically reducing installation time. Finally, our Deye Cloud moves beyond simple monitoring by analyzing data patterns to predict maintenance needs before they become issues, delivering a proactive, smart energy experience throughout our products’ lifecycle.

Energy Storage Inverters

Our energy storage inverters combine solar power conversion with battery management to store excess daytime solar energy for later use and automatically provide backup power during grid outages. We offer single-phase low-voltage models with power ratings ranging from 3kW to 20kW for residential applications, and three-phase low- and high-voltage models from 5kW to 125kW primarily for small to medium C&I facilities seeking energy independence and reliable backup power. In 2025, we shipped a total of approximately 771,500 energy storage inverters globally, with broad adoption across application scenarios and geographies.

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Our energy storage inverters are built on advanced DC/AC conversion and sophisticated maximum power point tracking (“MPPT”) algorithms, combined with intelligent grid support features to operate safely and efficiently across varied grid conditions. They support on-grid and off-grid switching within as little as 4 milliseconds, ensuring continuity of power for critical loads. Our energy storage inverters can be scaled via parallel operation of up to 16 single-phase or 10 three-phase units and support six programmable charge-discharge time periods for peak-shaving and valley-filling. They also offer broad compatibility and can integrate with diesel generators and feature automatic start/stop capability. Our energy storage inverters support AC coupling to upgrade existing PV to solar-plus-storage, and support EV charging capability through smart AC charging interfaces. These energy storage inverters are also designed to interoperate seamlessly with our energy storage batteries as part of an integrated energy storage system. Physically robust, our entire product line of energy storage inverters carries an IP65 protection rating for outdoor installation.

The table below sets forth the key specifications of our core energy storage inverter models:

Product Model

Key Product Specifications

Single Phase Inverter



- Maximum AC input/output active power: 18kW
- Maximum PV access power: 36kW
- Battery voltage range: 40–60V
- Maximum charging/discharging current: 380A

Three Phase Low-voltage Inverter



- Maximum AC input/output active power: 20kW
- Maximum PV access power: 40kW
- Battery voltage range: 40–60V
- Maximum charging/discharging current: 350A

Three Phase High-voltage Inverter



- Maximum AC input/output active power: 125kW
- Maximum PV access power: 250kW
- Battery voltage range: 160–1000V
- Maximum charging/discharging current: 100A for each of two strings

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The following tables set forth the revenue, the shipment volume and average selling price (“ASP”) of our energy storage inverters by application scenarios:

	2023		Year ended December 31,						Four months ended April 30,						
			2024			2025			2025			2026			
	Revenue (RMB in thousands)		ASP (RMB)	Revenue (RMB in thousands)		ASP (RMB)	Revenue (RMB in thousands)		ASP (RMB)	Revenue (RMB in thousands)		ASP (RMB)	Revenue (RMB in thousands)		ASP (RMB)
		%			%			%			%			%	
Residential	3,097,789	88.5	7,916	3,544,193	80.8	7,173	3,744,827	71.8	5,553	943,134	68.2	4,871	1,951,689	74.6	5,875
C&I	403,448	11.5	23,262	843,140	19.2	18,147	1,472,637	28.2	15,152	439,328	31.8	13,692	665,114	25.4	16,291
Total	3,501,237	100.0	8,567	4,387,333	100.0	8,116	5,217,464	100.0	6,762	1,382,462	100.0	6,124	2,616,803	100.0	7,015

	2023		Year ended December 31,				Four months ended April 30,			
			2024		2025		2025		2026	
	Shipment Volume (number of units, in thousands)		Shipment Volume (number of units, in thousands)		Shipment Volume (number of units, in thousands)		Shipment Volume (number of units, in thousands)		Shipment Volume (number of units, in thousands)	
		%		%		%		%		%
Residential	391.4	95.8	494.1	91.4	674.3	87.4	193.6	85.8	332.2	89.1
C&I	17.3	4.2	46.5	8.6	97.2	12.6	32.1	14.2	40.8	10.9
Total	408.7	100.0	540.6	100.0	771.5	100.0	225.7	100.0	373.0	100.0

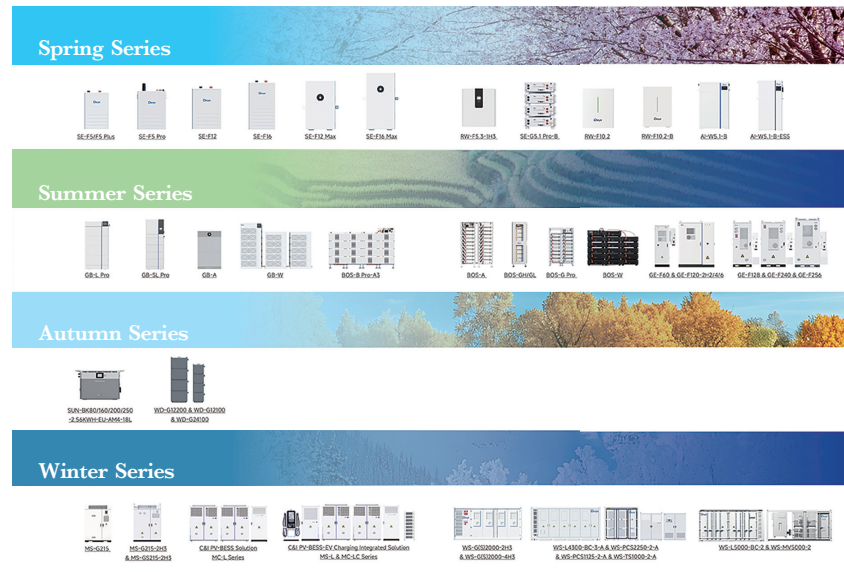
Energy Storage Batteries

We offer comprehensive energy storage batteries designed to complement our energy storage inverter portfolio and address diverse residential and commercial energy storage requirements across global markets. Our battery product line is organized around four core principles: safety, intelligence, flexibility and efficiency, ensuring that our energy storage battery products deliver reliable performance while meeting varying customer needs across different geographies and applications. We provide both low-voltage and high-voltage battery configurations, with our low-voltage batteries targeting residential and small to medium C&I applications, while our high-voltage batteries address larger C&I installations requiring higher power output and greater scalability. All our battery products are fully compatible with our complete range of energy storage inverters and our inverters and batteries are also compatible with other major brands’ products, enabling seamless system integration and simplified procurement for installers and system integrators. In 2025, we shipped a total of approximately 777,000 units of energy storage batteries. During the Track Record Period, 78.1%, 72.4%, 81.2% and 84.4% of our energy storage batteries were sold together with our energy storage inverters, respectively.

Our energy storage batteries use battery cells that feature outstanding safety characteristics, long cycle life and high thermal stability. Each of our energy storage batteries include a BMS that monitors and protects individual battery cells in real-time, with multi-layer protection against over-discharge, over-current and temperature extremes. Our low-voltage batteries deliver up to 8kW output power and support parallel configurations of up to 32 units for scalable capacity expansion, while our high-voltage batteries provide 160A high-current output and support configurations from seven to 21 battery modules. Our batteries include advanced features such as automatic charge-discharge control, cell voltage balancing technology to extend battery life and improve energy efficiency, external power activation to prevent deep sleep states and the ability to charge directly after over-discharge without complex recovery procedures. Users can remotely monitor and control our energy storage batteries through our Deye Cloud platform, improving the user experience.

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We have organized our energy storage battery products into four distinct series: “Spring,” “Summer,” “Autumn” and “Winter.” Each series targets a different market segment and distinct customer needs within that segment. This segmented portfolio approach allows us to address diverse customer needs with optimized products:



- **The “Spring” series** focuses on residential low-voltage storage for international markets that face intermittent power supply – such as Africa, Eastern Europe and Southeast Asia – where grids are often unstable and outages are common.

The “Spring” series offers indoor and outdoor installation options and broad compatibility with home electrical systems, enabling energy autonomy through daytime charging and nighttime use, which can reduce electricity expenses substantially depending on electricity tariff structures and usage profiles. Users can switch between on-grid and off-grid modes to keep key household loads running during outages. The “Spring” series also emphasizes a comfortable, lower-carbon lifestyle through intelligent control of indoor air quality and temperature, and lowers the user’s carbon footprint through reducing reliance on high-consumption appliances.

- **The “Summer” series** targets high-end, high-voltage household energy storage in developed markets such as Europe, the United States, Japan and Australia, as well as small C&I energy storage covering scenarios including retail shops, offices, farms and markets.

The “Summer” series prioritize system efficiency, safety and ease of maintenance, and represents our most competitive product line and incorporates advanced system optimization features. The “Summer” series supports intelligent peak-shaving and time-of-use optimization, which can reduce electricity costs through peak-shaving and valley-filling. To ensure business continuity, the “Summer” series provides scalable backup power to support operations during grid disruptions. Its modular architecture also allows flexible expansion and rapid deployment.

- **The “Autumn” series** addresses smaller power applications including portable energy storage and balcony solar systems to capture the growing market for accessible, entry-level solar solutions. The “Autumn” series supports flexible adaptation, making it suitable for a range of scenarios such as camping and outdoor cooking.

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The “Autumn” series emphasizes simplicity, portability and smart control. Plug-and-play designs are compatible with standard sockets and typically require no rewiring or complex installation, making them suitable for indoor and outdoor use. Its battery capacity can be expanded as needed to meet different power requirements, and users can manage systems through our Deye Cloud with offline control options.

- **The “Winter” series** focuses on containerized, high-power storage for C&I customers. The “Winter” series is well-suited for remote off grid sites and can be configured to participate in VPP programs where available.

The “Winter” series integrates energy management and control to support peak-shaving and valley-filling, backup/off-grid operation and VPP function. Its comprehensive safety architecture features aerosol fire suppression, explosion-relief/venting, electrical interlocks and weather-resistant enclosures, mitigating the fire and explosion risks. The “Winter” series supports both on-grid and off-grid operations and are compatible with solar PV, battery storage and diesel generation, with support for 2-hour to 8-hour energy storage applications depending on system sizing.

The following tables set forth the revenue, the shipment volume and ASP of our energy storage batteries by application scenarios, which excluded the revenue from accessories of energy storage batteries:

	Year ended December 31,										Four months ended April 30,				
	2023		2024		2025		2025		2026						
	Revenue (RMB in thousands)	%	ASP (RMB)	Revenue (RMB in thousands)	%	ASP (RMB)	Revenue (RMB in thousands)	%	ASP (RMB)	Revenue (RMB in thousands)	%	ASP (RMB)			
Residential	436,545	49.4	6,669	1,294,716	52.8	4,759	2,001,394	55.8	4,545	443,624	52.7	4,511	1,611,608	61.8	5,010
C&I	413,588	46.8	6,656	1,000,100	40.8	5,189	1,586,562	44.2	4,714	398,652	47.3	4,364	997,577	38.2	5,090
Total	884,323		6,930	2,451,296		5,274	3,587,956		4,933	842,276		4,797	2,610,099		5,325

	2023		Year ended December 31, 2024				2025		Four months ended April 30, 2025				2026	
	Shipment Volume (number of units, in thousands)	%	Shipment Volume (number of units, in thousands)	%	Shipment Volume (number of units, in thousands)	%	Shipment Volume (number of units, in thousands)	%	Shipment Volume (number of units, in thousands)	%	Shipment Volume (number of units, in thousands)	%	Shipment Volume (number of units, in thousands)	%
Residential	65.5	51.3	272.0	58.5	440.4	56.7	98.4	51.8	321.6	62.1				
C&I	62.1	48.7	192.7	41.5	336.6	43.3	91.4	48.2	196.0	37.9				
Total	127.6		464.8		777.0		189.7		517.6					

The significant increase in revenue from C&I customers during the Track Record Period was primarily driven by surging market demand and the rapid expansion of overseas C&I energy storage markets. According to Frost & Sullivan, the rapid growth of AI, cloud computing and 5G telecom networks has accelerated data center and communication infrastructure build-out, resulting in an increase in demand for energy storage products in commercial and industrial applications. Against this backdrop, we are strategically capturing opportunities in the growing C&I energy storage market and, in response to the rapid growth of large-scale C&I storage in Europe, developing high-power and high-voltage products to achieve differentiated competition in these higher-margin segments.

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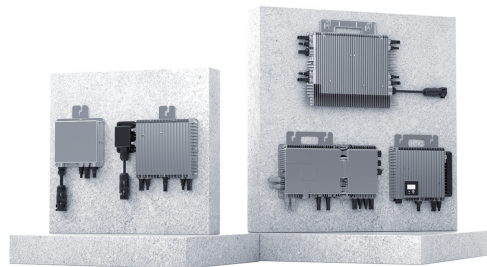
PV Inverters

Our PV inverters convert PV-generated DC electricity into AC for use in homes and businesses and for export to the grid, with intelligent power flow management aligned to diverse deployment scenarios; these products can operate in PV-only configurations or be combined with our energy storage inverters and energy storage batteries in our solar-plus-storage architectures. Our PV inverter portfolio comprises string inverters and microinverters, allowing tailored solutions by site size, design, and regulatory environment.

Our string inverters connect multiple PV panels in series, access multiple strings, and use multiple MPPTs to track and convert energy efficiently, with single-phase models feature power ratings from 1kW to 10.5kW and three-phase models from 6kW to 136kW for a wide range of distributed solar applications. Feature sets include string monitoring, arc fault circuit interrupter, anti-backflow and potential induced degradation recovery as well as enabling diesel generator integration and multi-unit parallel operation without additional controllers, plus advanced grid support functions and multiple anti-backflow modes with 0.5-second response. The maximum current per string can reach 16A and they are compatible with high-power modules. In 2025, we shipped approximately 634,000 string inverters globally.



Our microinverters provide higher MPPT tracking density with smaller power capacities to mitigate shading conditions, eliminate high DC string voltage by reducing or avoiding series connections, and support remote rapid shutdown for enhanced safety, with power ratings from 300W to 2,250W. Product features include one, two or four MPPT inputs by model, module-level monitoring and optimization with rapid shutdown, direct Wi-Fi without additional data recorders for lower installation costs, shading-resilient independent module tracking, balcony PV capability in compliant regions, and storage microinverter options enabling upgrades to small solar-plus-storage systems. In 2025, we shipped approximately 228,000 microinverters globally.



Deye Cloud

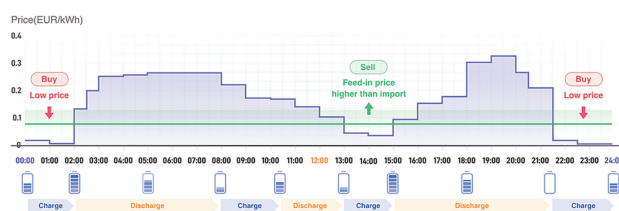
Deye Cloud serves as our sophisticated online operation and maintenance platform, specially crafted for integration with our inverters and energy storage batteries. This platform enables users to seamlessly connect their inverters or energy storage batteries to the internet, facilitating real-time monitoring of electricity consumption and load conditions. Deye Cloud offers cloud-based parameter adjustments and online firmware updates, enhancing operational efficiency. Additionally, it features intelligent load settings based on time and battery state of charge, enabling home automation through advanced energy management. The platform supports

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time-of-use tariffs and integration with dynamic pricing models, thereby optimizing electricity costs to achieve maximum savings.

Customizable Charging and Discharging

Deye Cloud supports the remote control of our inverters to be programmed with six distinct charging and discharging time slots, optimizing the use of time-of-use electricity pricing to reduce costs. For example, a user may configure the inverter to charge the battery during overnight off-peak hours when electricity rates are lowest, and then discharge the stored energy during peak daytime hours when grid prices are highest, thereby reducing overall electricity expenses. In addition, the Deye Copilot feature enables the energy storage system to access local dynamic electricity prices, allowing AI to make informed decisions on when to sell or purchase electricity. In regions where dynamic electricity pricing is available, the Deye Copilot can monitor real-time fluctuations in electricity spot prices and automatically instruct the inverter to purchase and store electricity when prices dip and to sell stored electricity back to the grid when prices rise, without the need for manual intervention by the user.



Grid Peak Shaving

Deye Cloud also supports grid peak shaving. When the power drawn from the grid nears a predetermined limit, Deye Cloud will prompt the battery to discharge and supplement the power supply. This process helps prevent high-rate electricity usage and reduces costs. For example, during periods of high household electricity demand – such as when multiple high-power appliances are running simultaneously – if the total power drawn from the grid approaches the user’s set threshold, the inverter will automatically discharge the battery to compensate for the power deficit, thereby ensuring that the grid power consumption does not surpass the predefined limit. Conversely, when the power drawn from the grid does not exceed the predefined threshold, the inverter will utilize either PV power or grid power to cater to the load needs, preserving battery capacity for future peak shaving events. This mechanism enables users to avoid costly demand charges and maintain stable, cost-efficient energy consumption throughout the day.

Environment Management Appliances

Our environment management appliances business is rooted in our thermal management expertise developed over more than two decades. Our portfolio of environment management appliances spans dehumidifiers solar air conditioners and heat exchangers. These products serve residential and C&I customers across the globe – from homes and offices to warehouses and manufacturing facilities.

Our environment management appliances address the intersection of energy consumption and environmental control through focused innovation. Our solar air conditioning systems harness solar energy to power cooling directly, achieving up to 100% solar usage during daylight hours while minimizing grid dependency through adjustable power limiters. Dehumidifiers leverage second-generation condensation technology to increase heat exchange efficiency and cut noise levels significantly, addressing both performance and comfort. We have also applied pump-free humidification and intelligent drainage systems in our products that eliminate the friction points customers often face, such as manual water emptying.

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Dehumidifiers

For dehumidifiers, we have established significant international presence serving residential and C&I customers globally, according to Frost & Sullivan. Our dehumidifier portfolio spans daily moisture removal capacities from 12 liters for small residential spaces to 480 liters for large industrial facilities, which covers residential dehumidifiers, industrial dehumidifiers, fresh-air dehumidifiers, central dehumidifiers, desiccant wheel dehumidifiers, integrated dehumidifier-humidifiers, constant-temperature-and-humidity units, fog-free humidifiers, and customized non-standard air-handling equipment, providing comprehensive coverage of customer needs across diverse applications including homes, offices, retail spaces, warehouses, manufacturing facilities, food processing plants, pharmaceutical production and archival storage. We have recently expanded beyond our core dehumidification business into complementary air quality management products, positioning ourselves as a comprehensive environment management appliance provider. In 2025, we shipped a total of 1,028,100 units of dehumidifiers.

We have leveraged our deep expertise in heat exchanger technology, which forms the core of dehumidification systems and represents our original technological competency from our company’s founding, to create highly efficient products that deliver outstanding performance, energy efficiency and reliability compared to competitors. Our second-generation condensation technology increases heat exchange efficiency by up to 12.5% as compared to our previous condensation technology, delivering outstanding dehumidification efficiency while reducing energy consumption, a critical consideration for C&I customers operating equipment continuously in large spaces. We have achieved noise reduction levels up to 12% below the current national standard for dehumidifiers through advanced fan design, optimized airflow paths, vibration isolation mounting and acoustic dampening materials, addressing a key customer concern particularly important for residential applications where equipment operates in living spaces and bedrooms. As a principal drafter of the “National Standard of the People’s Republic of China: Dehumidifiers (GB/T 19411),” we have shaped industry requirements and positioned our products to perform at levels that exceed regulatory benchmarks, reinforcing our technology leadership and market position.

Through our proprietary Deye Smart App, we provide an integrated smart-home remote control platform comprising four core modules: device management, environmental monitoring, user collaboration and digital services. As of the Latest Practicable Date, we had onboarded approximately 950,000 users and 750,000 connected devices.

The table below sets forth the key features and primary applications of our key dehumidifier models:

Product Models	Key Product Features and Technologies	Primary Applications
Residential Dehumidifiers 	<ul style="list-style-type: none"> • Daily moisture removal capacity up to 90L • Microcomputer precision humidity control • Automatic defrost functionality • Water-full automatic alarm and leak prevention • Integrated air purification • Superior noise control • High waterproof rating • Diverse modern designs • Mold and mildew prevention 	<ul style="list-style-type: none"> • Residential moisture control • Indoor air quality improvement

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Product Models	Key Product Features and Technologies	Primary Applications
Industrial Dehumidifiers 	<ul style="list-style-type: none"> Daily moisture removal capacity 90L–480L Low power consumption with high efficiency Significant dehumidification performance Second-generation condensation technology (12.5% heat exchange improvement) 12% noise reduction 600–1,000 m² coverage area 	<ul style="list-style-type: none"> Large-scale moisture control Designed for industrial scenarios such as hotel lobby and museum
Custom Non-Standard Dehumidifiers 	<ul style="list-style-type: none"> Customized to customer specifications Continuous stable operation in low-temperature, low-humidity conditions Large dehumidification capacity High reliability for mission-critical applications Engineered for specific environmental requirements 	<ul style="list-style-type: none"> Specialized humidity control Designed for precise manufacturing support and sensitive material protection

Solar Air Conditioners

Solar air conditioners are environment management appliances that utilize solar energy to power air conditioning systems. Our solar air conditioner products extend our core thermal management and power electronics capabilities into low-carbon solar air conditioning systems. By integrating on-site solar generation with heating, ventilation and air conditioning (HVAC) technology, our solar air conditioners maintain temperature, humidity and air quality while reducing grid dependence, operating costs and carbon emissions. Our solar air conditioners offer hybrid AC-plus-DC operation with built-in MPPTs to maximize solar utilization and system efficiency. During daylight hours, the system can achieve up to 100% solar usage. It delivers up to 100% power savings by directly driving the compressor from PV, without the need for a separate inverter or battery charge controller. The system automatically balances AC and DC inputs as available. They support wide ambient operating temperatures from –10°C to +60°C to address diverse climates. Additionally, they feature precise temperature control with smart Wi-Fi connectivity for user convenience and energy optimization. These capabilities position our solar air conditioners as a differentiated, energy-saving complement to our broader environmental appliances products portfolio. In 2025, we shipped approximately a total of approximately 150,300 units of solar air conditioners.

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Heat Exchangers

Our heat exchanger business represents our founding expertise in thermal management technology, developed over more than two decades. According to Frost & Sullivan, we are one of the largest manufacturers of finned heat exchangers in the PRC. Heat exchangers are critical components in residential air conditioning systems, functioning as the core determinant of air conditioner energy efficiency. These components enable the fundamental heat exchange cycle by transferring heat between indoor and outdoor and air – cooling indoor air while expelling heat outdoors when used for cooling, or heating indoor air while expelling cold air outdoors when used for heating. We manufacture a range of heat exchanger products including evaporators that absorb heat from the air being cooled and condensers that release heat to the external environment, supplying these components to air conditioning and refrigeration equipment manufacturers. According to Frost and Sullivan, we have established ourselves as a dedicated domestic heat exchanger producer and an important supplier to air conditioning manufacturers in China. In 2025, we shipped a total of 3.4 million units of heat exchanger products. Since the first quarter of 2026, we no longer sell heat exchanger to customers due to the strategic adjustment of product portfolio to reduce the sales of heat exchangers and focus on other products considering the decreased purchase orders for heat exchangers from our key downstream air conditioning manufacturer customer and relatively lower margin of heat exchangers. Going forward, our heat exchanger products will only be produced and used as components in our environment management appliances.

RESEARCH AND DEVELOPMENT

Our research and development strategy emphasizes continuous performance improvement, rapid product iteration and customer-centric innovation that addresses real-world application challenges across diverse markets and operating environments. We focus our R&D investments on advancing power electronics technologies that improve efficiency and reliability. We develop sophisticated control algorithms that optimize system performance, expanding product power ranges to address different market segments from residential to C&I applications globally. Our R&D process prioritizes practical, cost-effective implementations that deliver tangible customer value. For example, our proprietary primary-secondary strategy supports the parallel operation of up to 16 inverters. To keep these units coordinated and aligned, we use a proprietary algorithm that synchronizes both hardware triggers and software logic. Our energy storage inverters are among the first to support seamless on-grid and off-grid switching within as little as 4 milliseconds, ensuring continuity of power for critical loads. According to Frost and Sullivan, our circuit control technology increases solar energy utilization. inverter power-conversion efficiency and stability for PV inverter products.

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Our research and development capabilities are built on accumulated industry expertise, which enable us to independently develop critical technologies that differentiate our products in competitive markets. For example, we have independently developed three-level space vector pulse width modulation drive technology that improves power conversion efficiency and reduces harmonic distortion, solar control systems incorporating maximum power point tracking algorithms that optimize energy harvest from PV arrays and single-phase and three-phase phase-locked loop technology that ensures stable grid synchronization. Our energy storage inverters are among the first to achieve on-grid and off-grid automatic switching times at the millisecond level, ensuring that critical loads experience no power interruption during transitions – a capability that requires simultaneous mode changes for both inverter and battery systems. Our string inverters support DC-to-AC ratios of 1.5 times, enabling system optimization that increases revenue and reduces levelized cost of energy. Our microinverters have achieved four-route MPPT tracking capability, providing competitive advantages in power density, power range and conversion efficiency.

We also use product lifecycle management (“**PLM**”) system to manage our R&D process, which enables multi-organization collaborative R&D and design management. Our PLM system covers product design, project management, toolchain integration, model-driven design, 3D simulation, product maturity management and process management, thereby connecting R&D with manufacturing and supply chain for two-way integrated collaboration.

Our current research and development initiatives focus on next-generation technologies that will enhance product performance, reduce costs and open market opportunities across our product portfolio, including:

- ***Transition to Silicon Carbide Technology:*** We are currently transitioning our inverter products from traditional second-generation semiconductor technology to third-generation silicon carbide (“**SiC**”) semiconductor technology. Silicon carbide is a wide-bandgap semiconductor material that can operate at much higher switching frequencies than conventional silicon. The increase in switching frequency will enable dramatic reductions in the size of magnetic components including transformers and inductors, which are among the largest and heaviest parts of inverter systems. We anticipate that this technology transition to reduce the size of our household storage products, further decrease manufacturing costs through reduced material usage and improve conversion efficiency by minimizing switching losses.
- ***High-Power Industrial and Commercial Product Development:*** We are actively expanding our product portfolio to address higher-power industrial and commercial applications, developing systems in the 125kW to 250kW power range and beyond. In particular, applications such as remote industrial facilities, large commercial complexes and community microgrids require higher capacity inverters. These large-scale systems must be capable of operating off-grid (independent of utility power), connecting to the grid when available and integrating with diesel generators for backup power. To support large-scale multi-megawatt installations, we are developing a sophisticated energy management system (“**EMS**”) that functions as a central controller for intelligent microgrids. An EMS will manage the complex interactions between solar generation, battery storage, grid connection and diesel generator backup, optimizing energy flows to minimize costs while ensuring reliable power supply. We believe that this technology will provide complete off-grid power solutions for remote communities, industrial facilities and island systems, opening a major new application scenario for our inverters and energy storage batteries.

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- ***Solid-state Transformers:*** We are actively engaged in the R&D of solid-state transformers (“SST”), which is a high-frequency coupling device based on the electromagnetic induction principle that realize electric energy transformation by integrating advanced power electronics conversion technology. We are focusing on scalable and parallelable SST solutions ranging from 1.25MW to 5MW. We believe that solid-state transformers will have vast market applications, including AI data center solutions, energy storage systems and high-power charging stations.

Our technological advantages are driven by substantial investments in R&D infrastructure and talent. We have established four research and development centers strategically located in different cities to support our different product lines. The R&D center in our Ningbo Beilun headquarters focuses on inverter product technology upgrades. Our R&D centers in Cixi and Haiyan focus on the development of energy storage battery technologies and environment management appliance technologies, respectively. Our Shanghai Cuiji Innovation Center concentrates on AI platform and IoT development and commercialization. Our research infrastructure also includes 40 certified testing laboratories, among which are a laboratory accredited by China National Accreditation Service for Conformity Assessment (“CNAS”) and a joint research center with the Chinese Academy of Sciences focused on air purification technology. As of April 30, 2026, we had completed over 700 independent testing projects for our new energy products and environment management appliances across UL, ETL and CE certifications. We have established a third-generation semiconductor joint laboratory and have either led or actively participated in the development of 32 industry standards.

We have built a research team through the establishment of postdoctoral research stations and targeted talent recruitment initiatives. Our R&D team is led by Mr. Ji Dehai, our deputy general manager. Mr. Ji holds a bachelor’s degree in electrical engineering and automation from Ningbo University and has 14 years of industry experience in electrical engineering. As of April 30, 2026, we had 951 R&D personnel, representing 11% of our total workforce. Our R&D personnel are highly qualified and skilled, and have extensive experience in key areas such as power electronics and energy storage systems.

We made substantial investment in research and development during the Track Record Period. In 2023, 2024, 2025 and the four months ended April 30, 2025 and 2026, our R&D expenses amounted to RMB436.4 million, RMB548.9 million, RMB562.1 million, RMB182.4 million and RMB222.9 million, respectively.

SALES, DISTRIBUTION AND MARKETING

We deliver our products and solutions across the world through various sales channels tailored to the distinct characteristics of our product categories: (i) our new energy products – energy storage inverters, energy storage batteries and PV inverters – are distributed primarily through a global network of independent specialized distributors spread across over 150 countries and regions; (ii) our environment management appliances (excluding heat exchangers) are sold through a combination of e-commerce platforms, OEM and ODM arrangements and appliance distributors; and (iii) our heat exchangers sold under a direct sales model, supplied directly to air conditioning manufacturers in China.

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The following table sets forth a breakdown of our revenue by sales channel for the periods indicated:

	2023		Year ended December 31, 2024		2025		Four months ended April 30, 2025		2026	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
(RMB in thousands, except for percentages)										
Distribution	3,490,485	46.7	6,789,483	60.6	9,134,235	74.7	2,258,731	64.0	5,362,370	86.8
Direct sales	3,989,221	53.3	4,416,985	39.4	3,089,508	25.3	1,272,664	36.0	818,041	13.2
Total	7,479,706	100.0	11,206,468	100.0	12,223,743	100.0	3,531,395	100.0	6,180,411	100.0

The following table sets forth a breakdown of our revenue of different products by sales channel for the periods indicated:

	2023		Year Ended December 31, 2024		2025		Four Months Ended April 30, 2025		2026	
	Distribution	Direct sales	Distribution	Direct sales	Distribution	Direct sales	Distribution	Direct sales	Distribution	Direct sales
(RMB in thousands)										
New Energy Business										
– Energy storage inverters	1,856,868	1,644,370	3,421,748	965,585	4,573,339	644,125	1,137,330	245,132	2,427,427	188,463
– Energy storage batteries	584,252	300,071	1,984,378	466,918	3,436,655	395,754	785,527	124,411	2,515,649	241,656
– PV inverters	737,005	171,046	843,526	291,955	763,771	289,785	220,633	128,695	268,163	61,537
– Inverter parts and others	11,388	8,813	23,777	19,131	38,265	38,828	6,511	45,296	60,738	38,342
Environmental Appliances Business										
– Dehumidifiers	251,033	452,845	372,935	596,238	303,962	501,336	102,159	138,944	88,612	104,814
– Solar air conditioner	49,939	16,450	10,975	197,532	18,047	222,920	6,525	90,223	1,083	129,933
– Heat exchangers	–	1,344,525	6	1,954,847	–	937,656	–	478,881	–	25,365
– Others	–	21,760	–	11,853	21,178	197	25	6,720	699	10,053
Others	–	29,341	–	45,062	–	37,926	21	14,362	–	17,878
Total	3,490,485	3,989,221	6,657,345	4,549,122	9,155,217	3,068,526	2,258,731	1,272,664	5,362,370	818,041

Our marketing department coordinates marketing activities, manages our distribution network, and provides technical support and training to our distributors. Our sales and marketing organization is structured with specialized teams for new energy products and environment management appliances sales, each possessing deep knowledge of their respective product categories and target markets. As of April 30, 2026, we had approximately 594 sales and marketing staff.

Our Sales Network

New Energy Products

We sell our new energy products in over 150 countries and regions across six continents. Deye has become an influential brand for inverters and energy storage batteries in Southeast Asia, the Middle East and Africa, while maintaining a significant market share in Europe. We

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have also established sales presence in Southeast Asia, primarily in the Philippines, Vietnam, Thailand, Malaysia, Indonesia; the Middle East, primarily in Lebanon, Iraq; Africa, primarily in South Africa, Nigeria. and South America, primarily in Brazil, Colombia and Chile. Over the past three years, we have experienced rapid sales growth in several countries such as South Africa, Vietnam and India. This geographic diversification positions us to capture opportunities across markets at different development stages and reduces concentration risk.

We sell most of our new energy products through distributors. We also sell our new energy products through direct sales, including selling our products to enterprise customers, and directly selling products to ODM customers under their own brands. Our distributors of new energy products typically possess long-term expertise in distribution of new energy products, maintain relationships with local installers and electrical contractors and understand regional grid standards and interconnection requirements. We maintain a buyer-seller relationship with our new energy products distributors and our distributors are generally not exclusive distributors.

Our new energy products distributors may directly market our products and sell our products to the end users, and they may also independently develop secondary channels in order to better cover their authorized areas and improve market penetration. These secondary channels typically consist of local installers, electrical contractors and smaller dealers who purchase products from our distributors and install systems for end customers. We do not engage directly with sub-distribution channels or participate in their operations.

Environment Management Appliances

Dehumidifiers

We operate an omni-channel market system for our sales of dehumidifiers which combines nationwide offline coverage with comprehensive presence across major e-commerce platforms, leveraging data-driven operations and innovative digital marketing. We also maintain dedicated pre-sales, in-sales and after-sales teams, providing localized solutions and support. We also generate sales in international markets, such as the United Kingdom, Germany, Romania, Denmark, Brazil, India, Malaysia and Vietnam.

Our domestic sales channels for dehumidifiers integrate both online sales and offline retail distribution. The majority of our dehumidifiers are sold through online channels, which include direct sales through our self-operated e-commerce stores and various online e-commerce platform buyers. We also collaborate with JD.com through an online distribution buyout sales model. In this arrangement, JD.com manages the stores, while we sell and deliver products to their designated warehouses. JD.com then sells the products through their online stores and handles delivery to the end consumers. We maintain a buyer-seller relationship with offline distributors that have evolved over time to align with, among other things, our business strategies, stages of development and market conditions. For overseas markets, we primarily use a direct sales model and sell our products to OEM and ODM customers.

Solar Air Conditioners

We sell our new solar air conditioning products globally through distributors and direct sales. Direct sales includes the sales of products to OEM/ODM customers under their own brands. During the Track Record Period, we primarily sold our solar air conditioner in overseas markets.

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Heat Exchangers

Our heat exchanger sales are primarily in the PRC, where we supply thermal management components to air conditioning manufacturers under direct sale mode. We are a key supplier to air conditioning manufacturers in China.

Distribution Management

As of December 31, 2023, 2024, 2025 and April 30, 2026, we collaborated with 956, 866, 881 and 569 distributors, respectively. Our sales are not dependent on any specific distributor. We maintain seller/buyer relationship with all of our distributors.

We employ a structured, business-driven approach to identify and onboard distributors, emphasizing legal qualifications and operational capabilities tailored to each product line. In our new energy business, we prioritize partners with established channel reach, installation capacity, after-sales resources, and regional market development capabilities. Prior to collaboration, we evaluate core credentials such as business licenses and lawful operating qualifications. Our selection process involves commercial discussions, historical cooperation, and channel resource assessments conducted by our sales teams.

For environment management appliances, we select distributors in both online and offline channels, prioritizing those with strong e-commerce sales capabilities and regionally-focused offline distribution capabilities, respectively. We assess sales potential, brand alignment, customer service commitment and local marketing execution capabilities, including their ability to maintain our pricing and channel management.

Based on our requirements, we rigorously review our business relationship with distributors through our strict selection process. In 2023, 2024, 2025 and the four months ended April 30, 2026, we entered business relationships with 543, 446, 428 and 189 new distributors, respectively, reflecting our continuous business developments in new regions. During the same periods, we terminated our business relationships with 551, 536, 413 and 501 distributors, respectively, primarily as we replaced some of the small-scale distributors to optimize our distribution channel. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material disputes or litigation in relation to the termination of these distribution arrangements. During the Track Record Period, all of our distributors are corporate entities, and we did not set minimum purchase requirements to our distributors. As of April 30, 2026, we had 569 distributors from 105 countries or regions.

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The following table sets forth our total number of distributors and their movements (including additions and terminations) for the periods indicated:

	Year Ended December 31,			Four Months Ended April 30,
	2023	2024	2025	2026
Number of distributors at the beginning of the period	964	956	866	881
Number of new distributors	543	446	428	189
Number of terminated distributors	551	536	413	501
Net increase/(decrease) in number of distributors	(8)	(90)	(15)	(312)
Number of distributors at the end of the period	956	866	881	569

During the Track Record Period, our total number of distributors recorded a net decrease of 8, 90 and 15 in 2023, 2024 and 2025, respectively. The net decrease was primarily attributable to the Group’s proactive optimization of its distribution network, whereby we strategically replaced certain small-scale distributors that had limited sales volume, narrow market coverage or insufficient after-sales service capabilities with higher-performing distributors that possessed stronger channel resources, broader regional reach and greater operational capacity. In particular, the more significant net decrease of 90 distributors in 2024 reflected an intensified consolidation effort during that year, as the Group sought to rationalize its distribution channel structure by reducing overlapping coverage and reallocating resources to distributors with demonstrated capacity for regional market penetration. The net decrease of 15 distributors in 2025 was broadly consistent with the trend observed in 2024, reflecting the Group’s ongoing channel refinement initiatives. Despite the net decrease in overall distributor count, the Group continued to enter into new distribution relationships with 543, 446 and 428 new distributors during 2023, 2024 and 2025, respectively, reflecting our continuous expansion into new geographic markets. In particular, the onboarding of new distributors was directed principally at extending the Group’s market presence in regions where it had not previously maintained a distribution footprint, including regions in Europe and Asia. As a result, while the aggregate number of distributors decreased, the geographic coverage and depth of the Group’s distribution network was maintained or improved during the Track Record Period. The net decrease of distributors in the four months ended April 30, 2026 was due to the limited number of new distributors who had purchase orders in the short four-month period as compared to the full-year number in 2023, 2024 and 2025.

We typically enter into distribution agreement with our main distributors in accordance with industry norm. We also enter into separate purchase orders with our distributors to set out specific purchase details, logistics and payment terms. Salient terms of our standard distribution agreements generally include:

- **Term:** The duration of the distribution agreements is generally determined by negotiation.

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- **Distribution model and relationship:** The cooperation is a buy-out distributorship. The distributor operates as an independent business and is not our agent, employee, franchisee or joint venturer.
- **Designated distribution area:** We assign specific geographic territories to new energy business distributors to ensure adequate market coverage while avoiding destructive competition between our distributors.
- **Sales target:** We generally do not set an express sales target.
- **Product ownership:** Distributors purchase products from us and take ownership upon delivery completion or upon carrier receipt as specified.
- **Price management:** We provide recommended retail prices to our distributors, while allowing distributors to determine the final retail prices.
- **Payments:** The payment terms will be specified in separate purchase orders.
- **Credit terms:** We generally grant 7–90 days credit period to our distributors.
- **Logistics:** The logistic terms will be specified in the separate purchase orders.
- **Sub-distribution:** We do not impose any restrictions regarding sub-distribution with the distributors.
- **Anti-bribery and confidentiality:** We prevent our distributors from engaging in bribery or leaking our commercial secrets to any third parties.
- **Termination:** We are entitled to terminate the distribution agreements if our distributors breach the distribution agreements or applicable laws.

Measures to prevent cannibalization

To minimize the risk of cannibalization among our distributors, we have implemented the following measures:

- We generally provide a unified ex-factory pricing system and maintain guidance pricing to support price discipline and prevent disorderly price competition. If we become aware of violations such as unusually low pricing, we have the right to take corrective actions, including written warnings, price adjustments, extended lead times and termination of cooperation.
- To prevent excessive competition among key distributors, we manage channel order by controlling the number of distributors in a region, delineating regional boundaries, and dynamically adjusting channel structures. Certain markets may adopt exclusive arrangements, and we work with first level distributors to maintain reasonable profit spacing between tiers.

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- We conduct periodic site visits and ongoing market monitoring to oversee distributor sales activities and collect firsthand market information. If we become aware of violations such as cross regional sales, we have the right to take corrective action, including written warnings, price adjustments, extended lead times and termination of cooperation.

Measures to prevent channel stuffing

We believe that our sales correspond to actual market demand and consider the risk of channel stuffing to be controlled based on the following reasons:

- We conduct site visits and regular communications with distributors to obtain feedback on sales performance and inventory turnover. Our teams typically perform two to three on-site visits on distributor annually and will inquire and take appropriate measures if we observe issues in sales trends or inventory movement.
- We generally require deposits and then full payment before delivery or by the time of shipment. We also grant credit terms to key customers based on their creditworthiness.
- We generally do not set an express sales target for our distributors.
- We sell our products to distributors under a “buy out” arrangement and generally only accept product returns or refunds for product quality reasons. Return or replacement requests are evaluated by the factory and are typically limited to quality issues, which we consider consistent with industry practice for our product lines.

We have implemented a comprehensive framework for the ongoing monitoring of the sales practices and performance of our distributors and sub-distributors. Our sales teams typically perform two to three on-site visits per distributor annually, during which they review sales performance, inventory turnover, pricing compliance and adherence to the Group’s channel management policies. In between site visits, we conduct regular communications with distributors to obtain feedback on market conditions, sales trends and inventory levels, and will inquire and take appropriate measures if we observe issues in sales trends or inventory movement. We also conduct periodic market monitoring to oversee distributor sales activities and collect firsthand market information, which enables us to identify and address irregularities such as cross-regional sales, unauthorized pricing practices or other deviations from the Group’s distribution policies. With respect to sub-distributors, while we do not impose contractual restrictions on our distributors’ sub-distribution arrangements, we monitor the sub-distribution channel through our regional market oversight processes. Our on-site visits and ongoing communications with first-level distributors include inquiries into the structure and performance of their downstream distribution networks.

During the Track Record Period, a current director and owner (the “**Relevant Individual**”) of Customer A, one of our top five customers during the Track Record Period, was a director of our subsidiary in Germany from May 2023 to January 2026, which was established for the purpose of providing after-sale services in Germany and is not a significant subsidiary. The Relevant Individual’s role was to facilitate the establishment and initial operations of the subsidiary. As of the Latest Practicable Date, the Relevant Person was no longer a director of our German subsidiary. No other management role, employment or relationship existed between the Relevant Individual and our German subsidiary.

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To the best of our knowledge, all of our distributors during the Track Record Period are Independent Third Parties, and except as disclosed above, none of our distributors has any other past or present family, employment or financial relationships with us.

Pricing

Our strong brand reputation, proven product performance and established market position provide us with pricing discretion. Our pricing power is stronger in markets where we have established early presence and built strong distributor relationships. We also engage in competitive pricing to gain market share and/or maintain our competitive position where appropriate.

We formulate the prices of our products based on product specifications and production costs, and we generally take into consideration our market positioning, the competitive advantages of our products, profit margins and market competition when adjusting the price of our products. Especially, the prices of our products will be adjusted to maintain the profit margin level of such products as compared to the profit margin level in the previous year. Our prices vary across different countries as we take into consideration the local pricing conditions and the characteristics of product localization in respective markets. With respect to our distributors, we implement pricing policies tailored to different products and their corresponding overseas markets.

After-sales Services

New Energy Business

Our new energy business is driven by a dual-wheel strategy of “Technology + Service.” We are committed to continuously improving our after-sales service system and establishing localized service centers to enhance customer loyalty and maintain our competitiveness. We have established 22 localized after-sales service centers worldwide through self-operation and collaboration with our distributors, continuously strengthening customer trust and brand competitiveness through localized service capabilities.

We have made substantial investments in building localized service infrastructure. For the new energy product sold through distributors, our distributors are primarily responsible for providing after-sales services and warranties to their downstream buyers and end users. We provide warranties and technical support directly to distributors. We cooperate with our distributors in establishing in-country service centers staffed by local technicians who understand regional languages, business practices and customer expectations. We have also established an online customer service center in the PRC to provide responses within 48 hours and 7×24-hour online support.

Environment Management Appliances

For environment management appliances (other than heat exchangers) sold in the PRC, we maintain a comprehensive domestic service network coordinated with major e-commerce platforms and retail partners, ensuring customers can obtain service through convenient channels. For environment management appliances (other than heat exchangers) sold overseas, our OEM/ODM customers and distributors are primarily responsible for providing after-sales services and warranties to their customers while we provide warranties and technical support directly to the OEM/ODM customers and distributors. For heat exchangers, which are sold to

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our customers directly, our service takes the form of technical support, quality issue resolution and collaborative improvement initiatives.

Marketing and Brand Building

New Energy Products

While our new energy products are mainly sold through distributors rather than directly to end customers, we invest in advertising and marketing directed at end customers to build brand awareness and generate demand. This approach recognizes that in the new energy market, end customers often research products extensively before making purchase decisions, and they may specifically request certain brands from their installers. By building end-customer awareness and preference, we make it easier for our distributors to sell our products and we strengthen our overall market position.

We also conduct interactive product roadshows with distributors and installers to strengthen brand building and promote new products. We have enhanced our online media promotion by leveraging YouTube and Facebook influencer reviews for product research and education. At exhibitions, our booths feature real-life application scenario experience zones, allowing us to quickly gain recognition from channels and consumers.

Environment Management Appliances

According to Frost & Sullivan, for our environment management appliance segment, we have built a diversified brand promotion matrix through an integrated online and offline marketing strategy to continuously consolidate our leading position in the domestic dehumidifier market. Online, we accurately target youth-oriented social media platforms, using creative content from influencers to break into new customer circles. During key consumption periods such as the humid spring weather and plum rain season, we collaborate with key opinion leaders (“KOLs”) in vertical fields to launch scenario-based review videos that deeply connect product functions with user pain points, achieving a unity of brand and performance.

For our heat exchanger business, marketing takes an entirely different form focused on relationship management, engineering collaboration and demonstration of manufacturing capabilities. We do not engage in consumer marketing or brand building for heat exchangers, as our customers are major manufacturers rather than end consumers.

OUR CUSTOMERS

We offer our products and services globally. Our new energy products ultimately serve residential homeowners and C&I enterprises seeking solar-plus-storage solutions. Our environment management appliances serve residential consumers seeking moisture control and air quality solutions, as well as commercial customers including offices, retail spaces, warehouses and industrial facilities requiring dehumidification for various applications. Our heat exchangers are sold to air conditioning manufacturers in China, who incorporate our components into residential and commercial air conditioning systems.

In 2023, 2024, 2025 and the four months ended April 30, 2026, revenue contributed from our five largest customers in each year/period during the Track Record Period amounted to RMB3,980.5 million, RMB4,688.5 million, RMB3,904.4 million and RMB1,468.4 million, respectively, accounting for 53.2%, 41.8%, 31.9% and 23.8% of our total revenue, respectively, for the same periods, while the largest customer in each year/period during the Track Record

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Period contributed RMB1,452.6 million, RMB1,954.8 million, RMB1,742.5 million and RMB618.1 million, respectively, accounting for 19.4%, 17.4%, 14.3% and 10.0% of our total revenue, respectively, for the same years/periods, respectively, for the same periods. During the Track Record Period, we generally granted a credit term of 60 to 90 days to our customers.

The following tables set forth the details of our five largest customers based on their revenue contribution in each period during the Track Record Period:

For the Four Months Ended April 30, 2026

Ranking	Customer	Revenue (RMB in thousands)	Percentage of total revenue	Products purchased from us	Year of commencing business relationship with us	Credit terms	Settlement method	Customer type
1.	Customer A	618,123	10.0%	New energy products	2023	90 days	Wire transfers	Distributor
2.	Customer C	290,009	4.7%	New energy products	2004	60 days	Wire transfers	Direct sale customer
3.	Customer I	247,106	4.0%	New energy products	2022	Prepaid	Wire transfers	Distributor
4.	Customer J	159,991	2.6%	New energy products	2022	Prepaid	Wire transfers	Distributor
5.	Customer K	153,140	2.5%	New energy products	2024	40 days	Wire transfers	Distributor
Total:		<u>1,468,369</u>	<u>23.8%</u>					

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For the Year Ended December 31, 2025

Ranking	Customer	Revenue (RMB in thousands)	Percentage of total revenue	Products purchased from us	Year of commencing business relationship with us	Credit terms	Settlement method	Customer type
1.	Customer A	1,742,478	14.3%	New energy products	2023	90 days	Wire transfers	Distributor
2.	Customer B	937,352	7.7%	Heat exchangers	2004	60 days	Wire transfers	Direct sale customer
3.	Customer C	505,556	4.1%	New energy products	2020	7 days	Wire transfers	Distributor
4.	Customer D	376,822	3.1%	New energy products	2019	30-90 days	Wire transfers	Distributor
5.	Customer E	342,145	2.8%	New energy products	2024	60 days	Wire transfers	Distributor
Total:		<u>3,904,353</u>	<u>31.9%</u>					

For the Year Ended December 31, 2024

Ranking	Customer	Revenue (RMB in thousands)	Percentage of total revenue	Products purchased from us	Year of commencing business relationship with us	Credit terms	Settlement method	Customer type
1.	Customer B	1,954,825	17.4%	Heat exchangers	2004	60 days	Wire transfers	Direct sale customer
2.	Customer A	1,526,182	13.6%	New energy products	2023	90 days	Wire transfers	Distributor
3.	Customer D	567,525	5.1%	New energy products	2019	30-90 days	Wire transfers	Distributor
4.	Customer F	376,998	3.4%	New energy products	2016	60 days	Wire transfers	Direct sale customer
5.	Customer G	262,974	2.3%	Dehumidifiers	2014	90 days	Wire transfers	Direct sale customer
Total:		<u>4,688,504</u>	<u>41.8%</u>					

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For the Year Ended December 31, 2023

Ranking	Customer	Revenue (RMB in thousands)	Percentage of total revenue	Products purchased from us	Year of commencing business relationship with us	Credit terms	Settlement method	Customer type
1.	Customer F	1,452,628	19.4%	New energy products	2016	60 days	Wire transfers	Direct sale customer
2.	Customer B	1,346,006	18.0%	Heat exchangers	2004	60 days	Wire transfers	Direct sale customer
3.	Customer C	817,552	10.9%	New energy products	2020	7 days	Wire transfers	Distributor
4.	Customer G	199,066	2.7%	Dehumidifiers	2014	90 days	Wire transfers	Direct sale customer
5.	Customer H	165,220	2.2%	New energy products	2017	90 days	Wire transfers	Distributor
Total:		3,980,472	53.2%					

Notes:

- (1) Customer A is a company headquartered in Germany, mainly engaged in the wholesale of household appliances and electrical and electronic goods, including solar components. Customer A is unlisted.
- (2) Customer B is a company headquartered in Foshan, Guangdong Province, the PRC with a registered capital of RMB7.7 billion and revenue of RMB458.5 billion in 2025, mainly engaged in the research, development, manufacturing, and sales of home appliances, HVAC systems, robotics, and industrial automation solutions. Customer B is listed on the Stock Exchange.
- (3) Customer C is a company headquartered in Shenzhen, Guangdong Province, the PRC with a registered capital of RMB17.1 billion, mainly engaged in investment, overseas warehousing, building materials home furnishing supermarkets, and collective procurement supply chain services. Customer C's parent company is listed on the Stock Exchange.
- (4) Customer D is a company headquartered in Pakistan, mainly engaged in the research, development, manufacturing, and sales of solar energy solutions, including solar inverters, solar panels, and tubular batteries for both residential and commercial applications. Customer D is unlisted.
- (5) Customer E is a company headquartered in the United States, mainly engaged in the sales and distribution of solar energy products and energy storage solutions, including residential and commercial solar systems, batteries, and ESS. Customer E is unlisted.
- (6) Customer F is a company headquartered in the United Kingdom, mainly engaged in the wholesale, design and manufacture of solar energy storage solutions, including hybrid inverters, battery storage systems and solar power management systems. Customer F is unlisted.
- (7) Customer G is a company headquartered in the United Kingdom, mainly engaged in the design, manufacture and distribution of air treatment products such as dehumidifiers, air purifiers, fans, air conditioners and humidifiers. Customer G is unlisted.
- (8) Customer H is a company headquartered in the United States, mainly engaged in the design, engineering, and manufacturing of solar generators, solar inverters, and energy storage solutions. Customer H is unlisted.
- (9) Customer I is a company headquartered in Ningbo, Zhejiang Province, the PRC, with a registered capital of RMB10 million, mainly engaged in the import and export of goods and technology and related agency business, covering more than 50 business lines including medical devices, photovoltaic equipment, and automobile sales. Customer I is unlisted.
- (10) Customer J is a company headquartered in Poland, mainly engaged as a wholesaler of water cooling systems and IT hardware components, as well as inverters, lithium-ion batteries, and other equipment for alternative energy. Customer J is unlisted.
- (11) Customer K is a company headquartered in Nigeria, mainly engaged in the trading and supply of electrical and battery-related components used in solar power and energy storage applications. Customer K is unlisted.

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For each period during the Track Record Period and up to the Latest Practicable Date, all of our five largest customers in each period were Independent Third Parties. During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with the aforementioned customers, nor did we receive any material complaints from such customers. For each period during the Track Record Period and up to the Latest Practicable Date, none of our Directors or their respective close associates or any person who, to the knowledge of the Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest customers.

THIRD-PARTY PAYMENT ARRANGEMENTS

During the Track Record Period, the Relevant Customers settled their payments with us through third-party payors (“**Third-Party Payment Arrangements**”). The number of Relevant Customers was 142, 153, 205 and 64 in 2023, 2024, 2025 and the four months ended April 30, 2026, respectively. In 2023, 2024, 2025 and the four months ended April 30, 2026, the aggregate amount of third-party payments was RMB395.4 million, RMB948.9 million, RMB1,530.5 million and RMB392.3 million, accounting for approximately 5.3%, 8.5%, 12.5% and 6.4% of our total revenue for the relevant period, respectively. No individual Relevant Customer made a material contribution to our revenue through third-party payments during the Track Record Period. As of April 30, 2026, the outstanding amount of the accounts receivables as of December 31, 2025 from the Relevant Customers was RMB34.9 million.

The Relevant Customers are outside of China and mainly located in Asia, Europe and Africa. During the Track Record Period, more than 90% of the Third-Party Payment Arrangements were settled in U.S. dollars with others settled in Euros and Renminbi.

During the Track Record Period, substantially all of the Relevant Customers were distributors; and the third-party payors involved in the Third-Party Payment Arrangements generally comprised independent third parties engaged by the Relevant Customers, such as third-party settlement agents and business partners of the Relevant Customers. According to Frost & Sullivan, it is common market practice for distributors of new energy products and environment management appliances located outside of the PRC to settle payments to their vendors through third-party payors to facilitate payments for convenience and efficiency, particularly for cross-border transactions. To the best knowledge of our Directors, the main reason for the Relevant Customers to utilize the Third-Party Payment Arrangements were as follows: (a) convenience and efficiency of foreign exchange settlement. Certain Relevant Customers may not have maintained bank accounts denominated in the specific foreign currency that the Company would accept for cross-border payments (such as United States dollars), or may not have had sufficient balances in such designated foreign currency at the relevant time. In such circumstances, rather than undertaking the foreign exchange conversion process themselves, which may involve additional administrative procedures, longer processing times, and currency conversion costs, the Relevant Customers found it more practical and cost-effective to engage third-party settlement agents or business partners who already held adequate foreign currency balances and were able to remit payment to the Company directly in the required currency. This arrangement allowed the Relevant Customers to streamline their payment obligations and avoid the complexities of managing foreign exchange risks and conversion procedures on their own, or (b) operational efficiency in cross-border trade settlement. As the Relevant Customers were distributors located outside of the PRC, cross-border payments to the Company were subject to various regulatory requirements, banking procedures, and documentation obligations in their respective jurisdictions. Certain Relevant Customers, particularly those with smaller operations or limited experience in cross-border remittances, may not have had the necessary banking infrastructure or established cross-border payment channels to remit funds efficiently. By utilizing third-party payors, such as professional settlement agents with established banking

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relationships and expertise in international trade settlement, the Relevant Customers were able to reduce administrative burdens, minimize transaction costs, and expedite the settlement process.

From 2023 to 2025, the amount of transactions conducted using the Third-Party Payment Arrangements and the proportion of our total transactions settled through such arrangements increased, primarily as a result of the growth of our overseas business, which is predominantly conducted through distributors located outside the PRC. Our overseas revenue as a percentage of total revenue increased from approximately 58.0% in 2023 to 70.9% in 2024 and 79.7% in 2025, and correspondingly, the number of Relevant Customers increased from 142 in 2023 to 153 in 2024 and 205 in 2025, with the aggregate amount of Third-Party Payment Arrangements increasing from RMB395.4 million (5.3% of total revenue) in 2023 to RMB948.9 million (8.5%) in 2024 and RMB1,530.5 million (12.5%) in 2025. As substantially all Relevant Customers were overseas distributors, their utilization of the Third-Party Payment Arrangements for the convenience and efficiency of cross-border foreign exchange settlement and cross-border trade settlement naturally increased in tandem with the growth of our overseas customer base.

During the Track Record Period and up to the Latest Practicable Date, we did not proactively initiate any Third-Party Payment Arrangements, nor have we participated in any other forms of such arrangements. In addition, during the Track Record Period, we did not provide any discount, commission, rebate or other benefits to any of the Relevant Customers or their respective third-party payors to facilitate or incentivize the Third-Party Payment Arrangements. During the Track Record Period, all Third-Party Payment Arrangements were initiated by the Relevant Customers, not by us, and the relevant payments to us were generally settled via bank payments based on bona fide underlying transactions. The pricing and payment terms we provided to the Relevant Customers were in line with those provided to customers not involved in the Third-Party Payment Arrangements.

In addition, to the best of our knowledge, we had not encountered any refund requests, actual or pending disputes or disagreements due to the Third-Party Payment Arrangements or any material claims against us in relation to the Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date.

Our Directors have confirmed that the Relevant Customers and the third-party payors involved in the Third-Party Payment Arrangements during the Track Record Period were Independent Third Parties and save for being customers of our Group and payors under the Third-Party Payment Arrangements, they did not have any past or current family, business, financing or employment relationship with us, our subsidiaries, our shareholders, Directors, senior management, or any of their respective associates.

Enhanced Internal Control Measures

From 2023 to 2025, we did not enter into tripartite written agreements with the Relevant Customers. All Third-Party Payment Arrangements were made in connection with genuine business transactions and we had verified their authenticity through customers’ confirmations, and the consistency between the payment instructions and the underlying orders. Besides, our internal control measures were still being gradually enhanced at the time, and given the absence of any dispute, refund, claim, or investigation, we had not then made tripartite written agreement a mandatory requirement during the Track Record Period. As such, we believe the Relevant Customers were solely liable for the debts owed to us.

To safeguard our interests from risks associated with the Third-Party Payment Arrangements, since January 2026, we have substantially strengthened and implemented various internal control measures (collectively, the “**Enhancement Measures**”) to further regulate and govern such arrangements. These Enhancement Measures are designed to minimize our reliance on, and ring-fence the use of, the Third-Party Payment Arrangements by (i) eliminating routine acceptance of third-party payments and permitting them only in special, case-by-case approved

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circumstances; (ii) mandating tripartite written agreements among the Company, the customer and the third-party payor as a precondition to acceptance; and (iii) embedding payment restrictions directly into our standard customer contracts, thereby confining permissible payment sources to contracting parties on an ongoing, self-enforcing basis. Our efforts in this regard included, among others: (i) we have updated our internal control policies to enhance the rules governing third-party payment arrangements which prohibit third-party payments to provide, among others, that (1) we will not accept third-party payments except in special circumstances where the customers have genuine reasons. We consider a Relevant Customer to have “genuine reasons” for a Third-Party Payment Arrangement only where the arrangement arises from unavoidable objective reasons, such as overseas foreign exchange controls and only where the arrangement is supported by documented necessity, sanctions clearance and non-affiliation of the payor, written customer authorization reconcilable against the underlying sale; (2) payment may only be accepted if made by parties with whom we have entered into a valid tripartite written agreement with the payment issuer and the Relevant Customer; and (3) when accepting payments from these customers, we verify the payment details against the information in our system to ensure that such payments were settled through the accounts of the contracting parties to the aforementioned agreement; (ii) we have revised our standard contracts with our major customers to clearly stipulate the obligations of all parties, and expressly provided that all payment transactions may only be made through the accounts of the contracting parties to the agreement with us; and (iii) we communicate with our customers about our policies on the enhanced internal control measures, anti-corruption and anti-money laundering measures on third-party payments and we have also informed our employees of, and the requirement to observe, these policies.

As advised by our PRC Legal Advisor, in the PRC, there was no (i) administrative or criminal penalties imposed on, or (ii) formally documented governmental investigations initiated against, our Company, with regards to the Third-Party Payment Arrangements, during the Track Record Period and up to the Latest Practicable Date. From the implementation of the Enhancement Measures to the Latest Practicable Date, we had not accepted any payments from non-contracting parties to the abovementioned agreement in relation to new purchase orders of our products.

Since the implementation of the Enhancement Measures in January 2026, for purchase orders which utilise the Third Party Payment Arrangement, we entered into tripartite written agreements with the relevant customer and its third-party payor. Going forward, taking into account the business needs of the relevant customers and the reasons disclosed above, we will accept Third Party Payment Arrangements only in special circumstances where the customers have genuine reasons and subject to the condition that such Third Party Payment Arrangement must follow and adhere to the Enhancement Measures. The relevant customers which utilise Third Party Payment Arrangement and their respective designated third-party payors are also required to enter into tripartite written agreements with us.

Since the implementation of the Enhanced Measures and as of April 30, 2026, 64 customers utilised third-party payments, with third-party payments amounting to RMB392.3 million, representing approximately 6.4% of our total revenue for the four months ended April 30, 2026, a marked decline from 12.5% in 2025. Of this amount, only approximately RMB90 million related to purchase orders received after implementation of the Enhancement Measures, each of which was supported by a duly executed tripartite written agreement in accordance with the Enhancement Measures. We have not accepted any third-party payment from a non-contracting party in connection with any new purchase order since the implementation of the Enhancement Measures. We will continue to monitor and, where appropriate, further tighten these measures with the objective of continuing to reduce the utilization of third-party payments by our customers over time.

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The Directors believe that there would be no material impact on our financial and operational position as a result of the implementation of the Enhancement Measures in relation to the Third-Party Payment Arrangements, which the Directors believe is effective and adequate.

On the basis of the due diligence conducted, and taking into account the disclosure above, nothing material has come to the Joint Sponsors’ attention that would reasonably cause the Joint Sponsors to cast doubt on the Directors’ view disclosed above.

RAW MATERIALS AND SUPPLY CHAIN MANAGEMENT

Our manufacturing operations rely on materials and components that vary by product segment. For new energy products, key raw materials include battery cells, power semiconductor devices, magnetic components, aluminum enclosures, electronic components and printed circuit boards. Our heat exchanger production requires copper tubing and aluminum foil. Our environment management appliance manufacturing uses compressors, plastic components, heat exchangers, electronic control boards and motors. To minimize the risk of reliance on any single supplier and maintain sourcing stability and bargaining power, we generally retain multiple suppliers for our principal raw materials. In 2023, 2024, 2025 and the four months ended April 30, our cost of raw materials accounted for 87.2%, 85.6%, 85.7%, 86.9% and 86.5% of our total cost of sales, respectively. All of our raw materials were sourced from Chinese mainland during the Track Record Period.

Our procurement process is structured to ensure efficient supply management through a dedicated platform for each of the inverter products, energy storage batteries and environment management appliances. Initially, we engage in demand planning and supply strategy development, using rolling forecasts to assess product demand and define strategies for managing supply volumes. This is followed by procurement planning and ordering, where we create detailed plans and issue purchase orders to suppliers. Suppliers then fulfill these orders, schedule shipments and deliver the materials to designated warehouses. Upon arrival, we inspect the raw materials and store them in stock warehouses for production use.

Our procurement strategy combines on-demand purchasing with strategic stockpiling. Using historical data and demand forecasting, we maintain buffer stock levels to ensure a stable supply chain and uninterrupted production. In addition, we monitor market trends, price fluctuations of raw materials, inventory, customer orders and capital allocation to make informed decisions about stockpiling. This approach minimizes the risks of price volatility and ensures we stay agile in a competitive and rapidly changing market. Based on demand forecasts, supplier pricing trends and capacity planning, we create rolling procurement plans. These plans guide our purchasing team in requesting quotes, placing orders and coordinating material deliveries. By maintaining close relationships with qualified suppliers and ensuring clear communications, we are able to achieve efficient procurement cycles while maintaining flexibility in responding to changes in market demand.

We have maintained a sizable pool of reliable suppliers and implemented a rigorous supplier qualification and dynamic management system to monitor supplier admission, qualification audits and performance evaluations. We evaluate suppliers on multiple dimensions such as their technical capability, quality, delivery performance, service levels and cost-effectiveness, as well as their compatibility with our development strategies. We uphold stringent requirements for supplier admission, assessment and auditing throughout the supplier lifecycle. We also employ a tiered management strategy, incorporating rewards for excellence, supervised improvement plans and the removal of underperforming suppliers, thereby optimizing our supplier base and maintaining our competitiveness.

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We also use a supplier relationship management (SRM) system to effectively manage the relationship with our suppliers. The SRM system supports multi-organization procurement and supply chain management, including supplier onboarding and evaluation, purchase orders, delivery and public-opinion-based risk control to improve supplier performance and supply chain reliability.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage of raw materials. However, we experienced fluctuations in raw materials prices, particularly with respect to battery cells used in our new energy products, driven in part by volatility in lithium carbonate prices. In addition, bulk commodity materials used in our inverter products, such as copper and aluminum, were also subject to price fluctuations during the same period. To manage and mitigate the impact of such price volatility, we have adopted several measures. For battery cells, we secure order commitments from distributors with prepayments, which enables us to lock in procurement prices with our suppliers for a period of approximately one month, thereby reducing our exposure to short-term price swings. For bulk commodity materials such as copper and aluminum used in inverter products, we require our suppliers to lock in prices in advance, further insulating us from adverse price movements. In addition, we monitor market trends, price fluctuations of raw materials, inventory levels, customer orders and capital allocation to make informed decisions about strategic stockpiling, which minimizes the risks of price volatility and ensures we stay agile in a competitive and rapidly changing market.

OUR SUPPLIERS

We have developed and maintained relationships with various suppliers for our different business segments. These partners provide us with core components for our products. Their advanced technologies and reliable production capabilities enable us to ensure consistent product quality and meet the evolving needs of our customers. We work closely with our suppliers to ensure timely availability and delivery of materials. Our well-established global network of component sources enables us to maintain competitive pricing and offer a reliable supply chain for our customers. In 2023, 2024, 2025 and the four months ended April 30, our purchases from our five largest suppliers in each period during the Track Record Period amounted to RMB1,612.2 million, RMB2,760.9 million, RMB2,345.5 million and RMB1,736.8 million, respectively, accounting for 38.1%, 39.6%, 32.3% and 37.5% of our total purchase, respectively, for the same periods, while our purchase from the largest supplier in each period during the Track Record Period amounted to RMB1,111.1 million, RMB1,645.6 million, RMB759.4 million and RMB1,736.8 million, respectively, accounting for 26.3%, 23.6%, 10.5% and 17.3% of our total purchases, respectively, for the same periods. During the Track Record Period, our suppliers generally granted us a credit term of 30 to 90 days.

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The following tables set forth the details of our five largest suppliers based on our purchases of raw materials from them in each period during the Track Record Period:

For the Four Months Ended April 30, 2026

Ranking	Supplier	Purchase amount (RMB in thousands)	Percentage of total purchase	Products/ services purchased	Year of commencing business relationship with us	Credit terms	Settlement method
1.	Supplier C	802,040	17.3%	Battery cell	2022	90 days	Wire transfers
2.	Supplier B	593,190	12.8%	Battery cell	2022	30 days	Wire transfers
3.	Supplier F	125,691	2.7%	Battery cell	2020	90 days	Wire transfers
4.	Supplier I	109,065	2.4%	New energy products	2025	30 days	Wire transfers
5.	Supplier D	106,819	2.3%	New energy products	2021	90 days	Wire transfers
Total:		<u>1,736,805.2</u>	<u>37.5%</u>				

For the Year Ended December 31, 2025

Ranking	Supplier	Purchase amount (RMB in thousands)	Percentage of total purchase	Products/ services purchased	Year of commencing business relationship with us	Credit terms	Settlement method
1.	Supplier A	759,397	10.5%	Copper tube, aluminum foil	2004	30 days	Wire transfers
2.	Supplier B	658,109	9.1%	Battery cell	2022	30 days	Wire transfers
3.	Supplier C	612,555	8.4%	Battery cell	2022	90 days	Wire transfers
4.	Supplier D	157,862	2.2%	Cable	2021	90 days	Wire transfers
5.	Supplier E	157,580	2.2%	Transformer and inductor	2019	90 days	Wire transfers
Total:		<u>1,675,414</u>	<u>32.3%</u>				

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For the Year Ended December 31, 2024

Ranking	Supplier	Purchase amount (RMB in thousands)	Percentage of total purchase	Products/ services purchased	Year of commencing business relationship with us	Credit terms	Settlement method
1.	Supplier A	1,645,635	23.6%	Copper tube, aluminum foil	2004	30 days	Wire transfers
2.	Supplier B	734,296	10.5%	Battery cell	2022	30 days	Wire transfers
3.	Supplier E	139,287	2.0%	Transformer and inductor	2019	90 days	Wire transfers
4.	Supplier F	122,236	1.8%	Battery cell	2020	90 days	Wire transfers
5.	Supplier G	119,469	1.7%	Cable	2020	90 days	Wire transfers
Total:		<u>2,760,925</u>	<u>39.6%</u>				

For the Year Ended December 31, 2023

Ranking	Supplier	Purchase amount (RMB in thousands)	Percentage of total purchase	Products/ services purchased	Year of commencing business relationship with us	Credit terms	Settlement method
1.	Supplier A	1,111,131	26.3%	Copper tube, aluminum foil	2004	30 days	Wire transfers
2.	Supplier B	268,433	6.3%	Battery cell	2022	30 days	Wire transfers
3.	Supplier E	107,105	2.5%	Transformer and inductor	2019	90 days	Wire transfers
4.	Supplier G	64,101	1.5%	Cable	2020	90 days	Wire transfers
5.	Supplier H	61,465	1.5%	Compressor	2023	30 days	Wire transfers
Total:		<u>1,612,236</u>	<u>38.1%</u>				

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Notes:

- (1) Supplier A is a company headquartered in Foshan, Guangdong Province, the PRC with a registered capital of RMB7.7 billion and revenue of RMB458.5 billion in 2025, mainly engaged in the research, development, manufacturing, and sales of home appliances, HVAC systems, robotics, and industrial automation solutions. Supplier A is listed on the Shenzhen Stock Exchange and the Stock Exchange.
- (2) Supplier B is a subsidiary of a company headquartered in Huizhou, Guangdong Province, the PRC with a registered capital of RMB2.2 billion, mainly engaged in the research, development, manufacturing, and sales of lithium batteries for consumer electronics, power applications, and energy storage systems. Supplier B’s parent company is listed on the Shenzhen Stock Exchange.
- (3) Supplier C is a subsidiary of a company headquartered in Guangzhou, Guangdong Province, the PRC with a registered capital of RMB100.0 million, mainly engaged in the research, development, manufacturing, and sales of lithium-ion batteries, energy storage systems, and primary batteries. Supplier C’s parent company is listed on the Shenzhen Stock Exchange.
- (4) Supplier D is a company headquartered in Foshan, Guangdong Province, the PRC with a registered capital of RMB86.4 million, mainly engaged in the research, development, production and sales of magnetic components used in PV inverters and vehicle-mounted charging piles. Supplier D is unlisted.
- (5) Supplier E is a company headquartered in Huizhou, Guangdong Province, the PRC with a registered capital of RMB50.0 million, mainly engaged in the research, development, production, and sales of magnetic electronic components, including inverter inductors, amorphous coils, and high-frequency transformers. Supplier E is unlisted.
- (6) Supplier F is a company headquartered in Changshu, Jiangsu Province, the PRC with a registered capital of RMB2.6 billion and revenue of RMB8.1 billion in 2025, mainly engaged in the research, development, and manufacturing of new energy lithium-ion power batteries and energy storage batteries. Supplier F is listed on the Hong Kong Stock Exchange.
- (7) Supplier G is a company headquartered in Ningbo, Zhejiang Province, the PRC with a registered capital of RMB1.0 million, mainly engaged in the design, production and manufacturing of compressors and cables for the new energy, appliances and security industries. Supplier G is unlisted.
- (8) Supplier H is a company headquartered in Meishan City, Sichuan Province, the PRC with a registered capital of RMB100.0 million, mainly engaged in the research, development, production, and sales of refrigeration compressors. Supplier H is unlisted.
- (9) Supplier I is a subsidiary of a company headquartered in Xi’an, Shaanxi Province, the PRC with a registered capital of RMB1,100.0 million, mainly engaged in the research, development, manufacturing, and sales of batteries. Supplier I is unlisted.

During the Track Record Period, all of our five largest suppliers in each period were Independent Third Parties. During the Track Record Period and up to the Latest Practicable Date, none of our Directors or their respective close associates or any person who, to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant fluctuation in prices set by our suppliers, material breach of contracts on the part of our suppliers or delay in delivery of our orders from our suppliers, nor did we have any material disputes with our suppliers.

Contractual Agreements with Suppliers

The salient terms and conditions of our agreements with major suppliers are set out below:

- *Order Placement:* Procurement orders, which include the product name, quantity, unit price, total purchase amount, delivery date and location and payment terms and conditions will be placed separately. Suppliers typically do not impose a minimum purchase requirement on us.
- *Shipment and Delivery:* Suppliers are typically responsible for delivering ordered products to our designated location in accordance with the agreed delivery schedule and assume the costs and risks associated with the shipment.

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- *Credit Terms and Payment Method:* Our suppliers typically grant us a credit term of 30–90 days.
- *Quality Control and Product Returns:* All raw materials must comply with applicable national and industry standards as well as our technical specifications. We conduct inspections upon delivery and reserve the right to reject or return non-compliant goods.
- *Product Warranty:* Our suppliers typically provide a product warranty during our usage of such raw materials.
- *Intellectual Property:* Suppliers shall ensure that their products do not infringe any third-party intellectual property rights, and they shall bear all legal responsibilities and costs incurred by such kind of dispute.
- *Termination:* Generally, the contract can be terminated upon mutual agreement.
- *Anti-bribery and confidentiality:* We prohibit our suppliers from engaging in bribery or leaking our commercial secrets to any third parties.

OVERLAPPING CUSTOMERS AND SUPPLIERS

During the Track Record Period, Customer B, one of our five largest customers in each of 2023, 2024 and 2025, was also one of our five largest suppliers in the same periods, which is Supplier A. Customer B requires its suppliers, including us, to purchase designated copper tube and aluminum foil used in their products from the procurement platform of Customer B to better control quality and ensure the materials meet its specifications and integrate with its manufacturing processes. This is commonly referred to in the industry as the buy-and-sell model. For this reason, we sold heat exchangers of RMB1,346.0 million, RMB1,954.8 million, RMB937.4 million and RMB25.0 million to Customer B in 2023, 2024, 2025 and four months ended April 30, 2026, and purchased copper tube and aluminum foil of RMB1,111.1 million, RMB1,645.6 million, RMB759.4 million and RMB9.9 million from it during the same periods. Our sales to and purchases from Customer B/Supplier A were conducted in the ordinary course of business and on commercial terms negotiated on an arm’s length basis.

During the Track Record Period, Supplier G, one of our five largest suppliers in each of 2023 and 2024, was also one of our customers in 2023, 2024 and 2025, because we require our supplier to purchase the designated connectors from us to be used in their cable products to better control quality and ensure the materials meet our specifications and integrate with our manufacturing processes. This is commonly referred to in the industry as the buy-and-sell model. For this reason, we sold RMB1.6 million, RMB2.2 million, RMB6.7 million and nil of connectors to Supplier G in 2023, 2024, 2025 and four months ended April 30, 2026, and purchased RMB64.1 million, RMB119.5 million, RMB157.0 million and RMB95.3 million of cables from it in 2023, 2024, 2025 and four months ended April 30, 2026. Our sales to and purchases from Supplier G were conducted in the ordinary course of business and on commercial terms negotiated on an arm’s length basis.

On the basis of the due diligence conducted, and taking into account the disclosure above, nothing material has come to the Joint Sponsors’ attention that would reasonably cause the Joint Sponsors to cast doubt on the genuineness of the transactions between the Group and (i) Customer B/Supplier A; and (ii) Supplier G.

PRODUCTION

We have developed a manufacturing framework that strategically integrates global and domestic resources primarily through in-house production. We primarily utilize our in-house facilities to handle one-stop production processes from design to final production. These help

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ensure both quality and security, with carefully crafted workflows to meet specific needs of major customers.

Production Process

Our manufacturing model is meticulously designed to meet the diverse requirements of our product portfolio. Depending on the product type, our production processes incorporate a range of workflows, including:

- ***Planning and procurement:*** Our planning and procurement process involves several key steps to ensure efficient supply management. Initially, we use rolling forecasts to assess product demand and define strategies for managing supply volumes. This is followed by procurement planning and ordering, where we create detailed plans and issue purchase orders to suppliers. Suppliers then fulfill these orders, schedule shipments, and deliver the materials to designated warehouses. Upon arrival, we inspect raw materials to verify their quality and compliance with specifications and store them in warehouses for production use.
- ***Production preparation:*** Production preparation encompasses production scheduling and material kitting/allocation, which involve the determination of product types, production quantities and timing, based on market demand and resource availability. It ensures efficient use of resources and alignment with business goals. Once the plan is set, production scheduling organizes tasks and assigns resources to specific periods, optimizing workflow and ensuring timely completion of production orders, while material kitting/allocation ensures that all necessary materials are available and properly distributed for production.
- ***Manufacturing:*** Our manufacturing process varies for different products. See “Production Process – Inverters”, “Production Process – Energy Storage Batteries” and “Production Process – Dehumidifiers” for further details.
- ***Testing:*** We conduct multiple rounds of functional testing and inspection on the final products. Our Testing and Certification (“SGS”) system further enhances this process by managing testing and certification across all of our products. Integrated with our Product Lifecycle Management (“PLM”) system, the SGS system handles entrusted testing for complete products, creating traceable linkages between design artifacts and certification outcomes.
- ***Quality inspection and delivery:*** Quality control is a critical component of our production process, encompassing initial inspections during production, regular and outgoing quality control inspections and independent quality engineers conducting tests on finished products. All products must pass 100% inspection before being stored, ensuring they meet our stringent quality standards. This ensures that eligible products are delivered to our customers, maintaining the integrity and reliability of our offerings throughout the storage and delivery process.

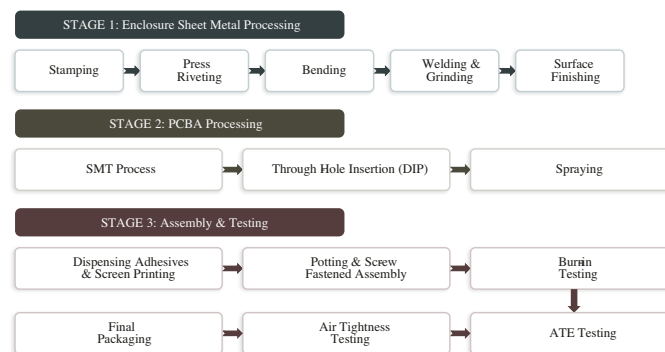
Our MOM system enables coordinated multi-plant manufacturing management, covering warehouse management (warehouse management system, including inbound/outbound, racking and bin locations), production planning, quality checking, equipment and automated guided vehicles (“AGV”) management, product tracing and intelligent logistics, together with data analysis and utilization to support real-time, transparent and controllable manufacturing execution.

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Inverters

Our production process for inverters primarily includes enclosure sheet metal processing, printed circuit board assembly (“PCBA”) processing, and assembly and testing. The details of the production processes for our PV inverters are set forth as follows:

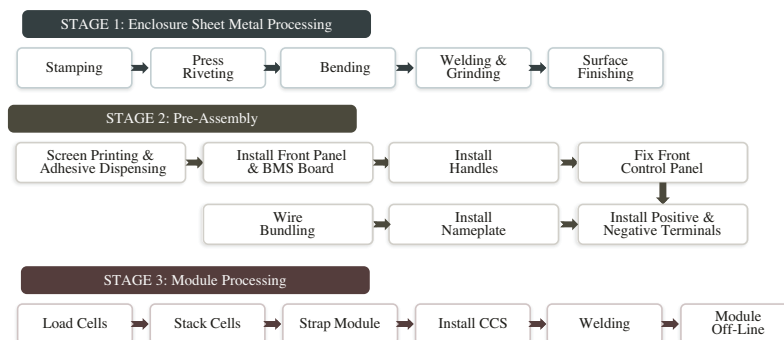
- *Enclosure sheet metal processing.* We form and finish inverter housings through sequential operations of stamping, press riveting, bending, welding and grinding, followed by surface finishing through spraying.
- *PCBA processing.* Electronic components are mounted onto printed circuit boards through SMT process and through-hole insertion (“DIP”), followed by spraying.
- *Assembly.* We dispense adhesives and apply screen printing, conduct potting and screw-fastened assembly, and then carry out product burn-in testing, automated test equipment (“ATE”) testing and air tightness testing prior to final packaging.



Energy Storage Batteries

Our production process for energy storage batteries primarily includes enclosure sheet metal processing, pre-assembly, and module processing. The details of the production processes for our energy storage batteries are set forth as follows:

- *Enclosure sheet metal processing.* We form and finish the battery enclosures through sequential operations of stamping, press riveting, bending, welding and grinding, followed by surface finishing through spraying.
- *Pre-assembly.* We apply screen printing and dispense adhesives, install the front panel and BMS board, install the handles, fix the front control panel, install the positive and negative terminals, install the nameplate, and perform wire bundling.
- *Module processing.* We load the cells, stack the cells, strap the module, install the CCS, perform welding and complete the module off-line.

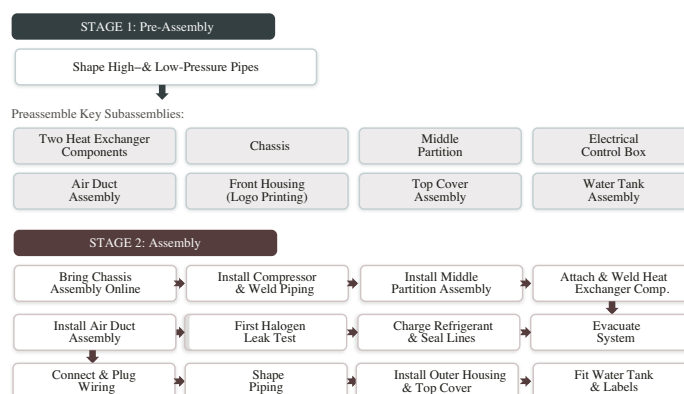


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Dehumidifiers

Our production process for dehumidifiers primarily includes pre-assembly and assembly. The details of the production processes for our dehumidifiers are set forth as follows:

- *Pre-assembly.* We shape the high- and low-pressure pipes and pre-assemble key subassemblies, including the two heat exchanger components, the chassis, the middle partition, the electrical control box, the air duct assembly, the front housing with logo printing, the top cover assembly, and the water tank assembly.
- *Assembly.* The assembly process begins with bringing the chassis assembly online, followed by the installation of the compressor and welding of the piping. We then install the middle partition assembly, attach and weld the two heat exchanger components, evacuate the system, charge it with refrigerant, and seal the lines. The first halogen leak test is conducted, after which we install the air duct assembly, connect and plug the wiring, shape the piping, and install the outer housing and top cover. The water tank and labels are then fitted.



Our Production Bases

As of the Latest Practicable Date, we had seven production bases with four production plants in Zhejiang Province, two production bases under construction in Zhejiang and one production base under construction in Malaysia. Our international presence enables us to efficiently serve customers in our target markets worldwide.

Ningbo Beilun Production Base



Having launched the mass production in 2016, our Ningbo Beilun Production Base covers a GFA of 120,000 square meters. It has 13 assembly lines and 23 production lines for the production of inverters.

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Ningbo Cixi Production Base



Having launched the mass production in 2023, our Ningbo Cixi Production Base covers a GFA of 171,000 square meters. It has six assembly-and-production lines for the production of energy storage batteries.

Ningbo Beilun 246 Production Base



Having launched the mass production in 2025, our Ningbo Beilun 246 Production Base covers a GFA of 100,000 square meters. It has seven assembly lines and 14 production lines for the production of inverters.

Jiaxing Haiyan Production Base



Having launched the mass production in 2025, our Jiaxing Haiyan Production Base covers a GFA of 258,000 square meters. It has seven assembly-and-production lines for the production of environment management appliances.

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During the Track Record Period, all of our products were produced by our in-house production facilities. The following table sets forth detailed information relating to our production facilities in operation as of the Latest Practicable Date:

Facilities	Location	GFA (sq.m)	Main Products	Year of Establishment
Ningbo Beilun Production Base	Beilun, Ningbo, Zhejiang, China	120,000	• Inverters	2016
Ningbo Cixi Production Base	Cixi, Ningbo, Zhejiang, China	171,000	• Energy storage batteries	2023
Ningbo Beilun 246 Production Base	Beilun, Ningbo, Zhejiang, China	100,000	• Inverters	2025
Haiyan Production Base	Haiyan, Jiaxing, Zhejiang, China	258,000	• Environment management appliances	2025

The following table sets forth the total designed capacity, total output and utilization rate of our main products during the Track Record Period:

	For the Year Ended December 31,						For the Four Months Ended April 30,					
	2023	2023	2023	2024	2024	2024	2025	2025	2025	2025	2026	2026
	Designed Capacity ⁽¹⁾	Total Output	Utilization Rate ⁽²⁾	Designed Capacity ⁽¹⁾	Total Output	Utilization Rate ⁽²⁾	Designed Capacity ⁽¹⁾	Total Output	Utilization Rate ⁽²⁾	Designed Capacity ⁽¹⁾	Total Output	Utilization Rate ⁽²⁾
<i>(thousand units, except for percentage)</i>												
Energy storage inverters and PV inverters	1,200	1,349	112.42%	1,800	1,585	88.06%	2,000	1,591	79.57%	667	427	64.12%
Energy storage batteries	330	133	40.30%	800	532	66.50%	1,051	821	78.10%	350	170	48.48%
Dehumidifiers	2,300	901	39.17%	2,300	1,364	59.30%	2,300	1,074	46.70%	767	326	42.50%
Solar air conditioners	575	47	8.15%	575	129	22.46%	575	174	30.24%	250	66	26.52%
Heat exchangers	12,828	5,568	43.41%	12,828	7,980	62.21%	9,935	3,301	33.22%	3,312	1,981	59.81%

Notes:

- (1) The designed capacity for each period for inverters and energy storage batteries is calculated based on the hourly production capacity and working hours, assuming 26 working days per month and 20 working hours per day. The designed capacity for each period for dehumidifiers and heat exchangers is calculated based on the hourly production capacity and working hours, assuming 26 working days per month and 10 working hours per day.
- (2) Utilization rate is calculated by dividing the total output by the designed capacity for the relevant period.

Our utilization rate for inverters decreased during the Track Record Period, primarily due to the ramping-up of actual output capacity of the new Ningbo Beilun 246 Production Base which commenced operation in 2025, as well as the increasing designed capacity arising from the technological upgrades of production lines.

Our utilization rate for energy storage batteries increased during the Track Record Period, primarily due to the increasing sales demand during the same periods, which led to increased shipment volume during the same periods, partially offset by the expanding designed production capacity through technological upgrades of production lines.

Our utilization rate for dehumidifiers and heat exchangers increased from 2023 to 2024, and decreased from 2024 to 2025, which are generally in line with our shipment volume changes of those products during the same periods, which reflects the marketing demands for the same periods. The decrease of utilization rate for heat exchangers was also attribute to our strategic adjustment of product portfolio to reduce the sales of heat exchangers and focus on other products considering the decreased purchase orders for heat exchangers from our key

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downstream air conditioning manufacturer customer and relatively lower margin of heat exchangers. See “Environment Management Appliances – Heat Exchangers” for more details.

We are also in the process of building two productions bases in Beilun and Cixi in Ningbo for expanding the production capacity and storage of our new energy products. The construction of our new production bases in Beilun and Cixi commenced in June 2025 and October 2025, respectively, and the constructions are expected to complete in December 2026 and February 2027, respectively. The Beilun production base will primarily be used for the production of new energy products with a focus on C&I applications, a segment in which the Company currently lacks sufficient production capacity to meet growing demand. The Beilun facility will also support the manufacture of ancillary products and components and serve as a warehousing facility and is not expected to contribute significant additional manufacturing capacity. The Cixi production base will primarily be used for the production of new energy products with a focus on C&I applications.

To implement our overseas expansion strategy, we are building a new production base in EcoWorld Business Park II in Johor Province, Malaysia, covering an area of 133,237 square meters. This new production base is mainly intended to enhance our global supply chain for new energy products. Strategically located within the Singapore-Johor Special Economic Zone, the facility will focus on the manufacture of photovoltaic inverters and energy storage systems. The location offers favorable tariff conditions, proximity to the fast-growing Southeast Asian market and other international markets, and logistical advantages that strengthen the resilience of our global supply chain. By establishing localized production capacity, we aim to respond more effectively to evolving international trade dynamics and better serve regional customers.

The construction of our Malaysia production base commenced in October 2025, and the relevant production is expected to start in January 2027.

Our Manufacturing Process

We have adopted manufacturing technologies and automation equipment to enhance our manufacturing efficiency and maintain our competitiveness. It features 30 high-speed Surface Mount Technology (“SMT”) lines and several automated production lines. These production lines are complemented by laser cutting, welding and spraying equipment, ensuring precise and efficient processing. The battery pack production line is equipped with automated robotic arms and robots, further enhancing precision and efficiency. Additionally, the battery pack production line incorporates an Automated Guided Vehicle (“AGV”) logistics system, ensuring precise delivery and an interconnected logistics mode to the assembly line. In our inverter workshop, we leverage AI-powered machine vision for appearance inspection and AI-driven data analytics to support real-time decision-making, improving throughput and yield. We also deploy the AGV logistics system to achieve unmanned logistics across the entire production process, enhancing traceability and on-time material flow. Throughout production, a MOM system provides end-to-end process monitoring and quality control, maintaining continuous inspection and data traceability for each product from assembly through final testing.

During the Track Record Period, we did not experience any material production disruption due to unexpected failure of production flows or equipment.

QUALITY MANAGEMENT

We have established a set of quality control and assurance procedures to monitor our operations to ensure compliance with the regulatory requirements and quality requirements during the entire development, manufacturing, delivery and services processes. We have established a quality traceability system to achieve full traceability from raw materials to finished products, and dynamically monitor key quality parameters. During production, we use the ATE system for real-time monitoring and combine it with automated testing to ensure

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consistency. From incoming material inspection to final outgoing inspection, we conduct testing of product functions, performance and reliability to ensure that the delivered products meet industry standards. We have obtained the ISO9001 certification, ISO14001 environmental management system certification and ISO/IEC 27001:2022 information security management system certification.

We strictly implement rigorous quality control measures and establish a customer feedback and complaint handling process to promptly and effectively address customer concerns. We have mainly implemented the following procedures for quality control:

- *Raw Material Inspection and Selection:* We have established a strict certification process for selecting qualified suppliers and a evaluation and introduction process for new raw materials, along with rigorous material inspection standards.
- *Production Process Monitoring:* We have set up key quality control points throughout the production process to enable on-site inspections and monitoring so that we can identify potential issues promptly. Critical parameters and data are recorded in real-time for subsequent analysis and traceability.
- *Product Inspection and Testing:* Our inspection center is equipped with over 100 advanced precision inspection devices and several self-developed automated inspection systems for in-depth analysis and inspection to ensure products operates in different kinds of environments. Every product undergoes inspection to guarantee the quality of outgoing shipments.
- *Employee Skill Training:* All of our employees undergo rigorous training and pass competency assessments. Additionally, we regularly organize professional skills and quality awareness training to continuously improve employees’ quality consciousness and technical proficiency.
- *Quality Records and Management:* We maintain a robust quality record system to ensure data integrity and traceability. We conduct statistical analysis of quality data to identify potential issues for improvement timely, fostering continuous enhancement of product quality.
- *Internal Review and Accountability:* We proactively monitor the performance of each manufacturing facility in terms of quality management and conduct regular internal reviews. We carefully analyze product deficiencies identified and objectively allocate liability internally accompanied by corresponding disciplinary actions.

In addition, following the German Inverter Remediation Measures in 2023, we have implemented a series of enhanced quality and compliance measures to strengthen our quality management capabilities. We established a dedicated product parts team in the R&D department to reinforce our internal review and audit mechanisms. We have also entered into strategic cooperation agreements with several internationally recognized certification organizations to ensure timely interpretation of and alignment with evolving regulatory requirements. To further mitigate the risk of oversight in our internal testing processes, we engage independent, authoritative third-party testing institutions to conduct testing on our products and issue test reports confirming compliance with the requirements of our target markets. At the product development stage, we have adopted a “compliance-first” approach, pursuant to which the applicable technical standards of target markets are incorporated into our product specification documents at the outset of the development process, with our compliance department participating in the review and approval of such specifications. We have also strengthened compliance assessments of our key component suppliers to enhance oversight across our supply chain.

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During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we did not receive (i) any fines, product recall orders or other penalties from the relevant competent authorities regarding material product quality issues, (ii) any material product returns from our customers except for the German Inverter Remediation Measures, or (iii) any material complaints from consumers or material contractual claims from customers. As of the Latest Practicable Date, our Directors and management were not aware of any pending product recalls, investigations or actions by relevant authorities or consumer groups which may lead to a product recall.

On the basis of the due diligence conducted, and taking into account the disclosure above, nothing material has come to the Joint Sponsors’ attention that would reasonably cause the Joint Sponsors to cast doubt on the Directors’ confirmation disclosed above.

WAREHOUSING, LOGISTICS AND INVENTORY MANAGEMENT

We leverage on our own warehouses for storing raw materials, work-in-progress and finished products. As of the Latest Practicable Date, we had entered into eight warehouse lease agreements with four lessors in the PRC. The leased warehouses are located in Ningbo, Zhejiang Province, and Cixi, Zhejiang Province, and are used for storing energy storage battery pack products or inverter products. We also leased three warehouses in Sydney, Australia, Johannesburg, South Africa and Düsseldorf, Germany for storing products for our new energy business. We primarily engage third-party logistics service providers to provide delivery services. Finished products that have passed quality inspections are delivered by the logistics service providers from our own production facilities directly to our customers or to our designated warehouses and ultimately to locations specified by our customers. We select logistics service providers based on their reputation, scale of operations, track record and price. We typically enter into long-term agreements with our logistics service providers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material disruption in the delivery of our products or suffered any loss due to late delivery or mishandling of products by our logistics service providers.

Our inventory mainly comprises raw material, work in progress and finished goods. As of December 31, 2023, 2024, 2025 and April 30, 2026, the balance of our inventories was RMB754.0 million, RMB1,360.5 million, RMB1,785.4 million and RMB3,079.4 million, respectively. In 2023, 2024, 2025 the four months ended April 30, 2026, our inventory turnover days were 68 days, 59 days, 79 days and 80 days respectively.

To maintain our competitive position and align our products with evolving market demands, we have implemented various measures to optimize our inventory levels. These measures include minimizing inventory backlog and enhancing our inventory management processes. We have established internal procedures for submission and approval to streamline logistics and standardize purchase orders for our products. We employ advanced enterprise resource planning software to track inventory levels as well as ensuring appropriate levels of raw materials and finished products, and monitor the inflow and outflow of items from our warehouses in real-time. We also optimize procurement plans through dynamic inventory analysis to reduce the risk of overstocking.

We conduct spot inventory checks periodically to ensure efficient warehouse operations. We also carry out on-site inventory audits and inspections at the end of each year, during which inventory inspection reports are prepared. These reports guide the timely management of obsolete and slow-moving inventories. A dedicated working group leads our finance team in conducting inventory audits and inspections, with findings and discrepancies reported to senior management. Our Directors affirm that our inventory control systems and policies have been effective, with no significant supply shortages or inventory overstock issues experienced during the Track Record Period and up to the Latest Practicable Date.

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INFORMATION TECHNOLOGY

We believe that information technology is essential to maintain our competitive position. We utilize a number of information technology systems to manage all aspects of our operations, including but not limited to production, quality control, financial reporting, supplier management and human resources.

The capabilities and the stability of our IT infrastructure are vital to our business operations. The IT department performs system checks, data back-ups, system maintenance and other activities to secure the continual operation of the critical IT systems and facilities. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material failure or general breakdown of our IT systems which had resulted in a material adverse impact on our overall business operations.

INTELLECTUAL PROPERTY

Intellectual property rights are critical in safeguarding our business. We protect our intellectual property rights through a combination of patents, trade secrets, know-how, trademarks, copyrights, unfair competition laws and contractual rights, such as confidentiality agreements. Our future commercial success depends, in part, on our ability to obtain and maintain patents and other intellectual property and proprietary protections for commercially important technologies, inventions and know-how related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets and operate without infringing, misappropriating or otherwise violating the intellectual property rights of external parties. We have a dedicated team responsible for intellectual property-related matters, which conducts planning for the layout of intellectual properties. Regarding intellectual property infringement, we have established procedures specifically to identify potential infringement.

As of April 30, 2026, we held (i) 632 granted patents in Chinese mainland, (ii) 166 software copyrights in Chinese mainland, (iii) 196 trademarks, comprising 90 in Chinese mainland and 106 overseas, and (iv) 17 domain names in Chinese mainland. We also had 338 patent applications pending, comprising 336 in Chinese mainland and two overseas. See the section headed “Appendix VI – Statutory and General Information – Further Information about Our Business – 2. Intellectual Property Rights” in this document for more information of intellectual property rights that are material to our business. Much of our intellectual property consists of know-how and trade secrets, and we often rely on the technological skills and innovation of our personnel rather than solely on patent protection. We believe that much of our business success is attributable to our design, manufacturing and testing capabilities, customer relationships, supply chain management and the technical expertise which we have developed in our business operation. We protect these aspects of our business through a framework of legal protections, contractual safeguards and rigorous internal controls.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement disputes or claims which had any material adverse impact on our Group. Please see the section headed “Risk Factors – Risks Relating to Our Business and Our Industry – Failure to protect our intellectual property or our proprietary technology could substantially harm our business. If we are unable to protect the confidentiality of our proprietary information and know-how, the value of our technology and products could be harmed significantly” in this document.

DATA PRIVACY AND SECURITY

We attach great importance to user data privacy and security. In the course of providing our products and services, we collect device data and user data. For devices that operate independently without being connected to our systems, any operating data stored locally on such devices is managed solely by users and cannot be accessed or processed by us. When a user elects to connect a device to our systems and provides explicit authorization, we collect the operating data necessary to deliver core services such as device monitoring, maintenance and firmware upgrades, taking into account the functional characteristics of different devices. Such

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data varies by device type. For example, device data for dehumidifiers includes power, humidity settings, water tank status and fault logs, while device data for energy storage and inverter products includes battery state of charge, input and output power, and system status and fault logs. All collection and use of data adheres to the scope of the user’s authorization and the purposes of the relevant services.

In conducting our business, we follow the principle of data minimization and primarily collect the following categories of user data. First, transaction and contact information, including contact persons, delivery addresses and purchase records, which we use to fulfill orders and provide after-sales services. Second, information about our partners, including basic information of distributors and their designated contacts, which we use for channel management. To protect data privacy and security, we have adopted personal data protection policies covering the following key aspects:

- Data collection – we collect only basic personal information to the extent necessary for providing our products and services or where there is another legal basis.
- Data usage and processing – we use and process users’ personal data for specific purpose of processing when we have obtained consent from users or there are other legal bases. We implement access control mechanisms to ensure safeguards of processing activities.
- Data storage – user data is stored for a period necessary for achieving the purpose of processing. Appropriate technical measures are implemented to protect the security of user data we store.
- Data transfer – we do not transfer user data to third parties unless we have obtained users’ informed consent or there are other legal bases.
- Data protection assessment – we will conduct data protection impact assessment according to the applicable laws before we collect and process personal data under certain scenarios which would have significant impact on personal rights and interests.

The Deye Smart App provides services to users within the PRC and is deployed on public cloud infrastructure located in the PRC. Data collected within the PRC through this platform is not transferred out of the PRC. Our other system platforms that collect device data and user data adopt a multi-node deployment model and are deployed on public clouds in the PRC, the European Union, the Americas and India. Data collected in the PRC, the European Union and non-EU overseas regions is stored, respectively, in data centers of public clouds located in the PRC, the European Union, the Americas and India, and the data in each data center is segregated from the others. Under our cloud service agreements with our cloud service providers, such providers are required to adopt security measures to ensure the security and compliance of the cloud services.

The data we collected within the PRC in the course of providing our products and services is stored in the PRC. There was no cross-border data transmission of such data from the PRC to overseas jurisdictions, and we do not expect there will be any outbound data transfer of such data in the foreseeable future.

We have implemented appropriate managerial and technical measures to safeguard data security. From an organizational perspective, we have established a Data Compliance Committee as the highest decision-making body for data compliance management, which is responsible for determining, guiding and supervising data compliance work. From a management systems perspective, we have formulated policies and procedures covering data security, personal information protection and cybersecurity, thereby building a relatively data security and information management framework. From a technical perspective, we have implemented multi-layer technical protection measures, including firewalls, intrusion prevention, regular penetration testing, vulnerability scanning and data encryption, to ensure the security of our systems and data.

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We also exercise full-process control over data access, use and protection by establishing appropriate internal controls and data access mechanisms, data security protocols and operating procedures. Through the continuous maintenance and iterative upgrades of our computer and server facilities, as well as the implementation of regular backups and system status checks, we effectively manage data security risks and ensure that our protection mechanisms remain continuously effective.

During the Track Record Period and up to the Last Practicable Date, we did not experience any data leakage, tampering, loss or unauthorized access that would have a material adverse impact on our business operations, financial performance or listing, nor were there any major disputes, significant administrative penalties or investigations related to data privacy and security. According to our PRC Legal Advisor, we have implemented appropriate data security measures in accordance with PRC law, with no investigations, enforcement actions, or related litigation that would have a material adverse effect on our business, and as advised by our legal advisors in jurisdictions which contributed to more than 5% of revenue in any year during the Track Record Period, namely the PRC, Germany, Pakistan, India and South Africa and jurisdictions which we have material trading and manufacturing activities, namely the PRC, Germany, Pakistan, India and South Africa, we have complied with the applicable laws and regulations relating to data security and personal information protection in all material respects.

Looking ahead, we will continue to strengthen our data security framework, enhance our cybersecurity and data compliance standards, and prioritize the adaptability of innovation and practice to meet the growing data protection expectations of global markets.

COMPETITION

The new energy industry is highly competitive, with global production largely centered in Chinese mainland while a growing number of manufacturers are also establishing facilities in Southeast Asia to enhance supply chain resilience. The market remains fragmented, with many players across segments. To maintain and grow our business, we must continue to meet our customers’ requirements and deliver differentiated, high-performance products that meet their evolving needs. If we are unable to keep pace with such advancements or fail to differentiate our products in terms of quality or cost, we risk losing market share to our competitors. See “Industry Overview” for details relating to our competitive landscape.

SEASONALITY

Demand for and sales of new energy products are generally not affected by seasonal fluctuation. We typically experience higher sales for our dehumidifier products in January to March in Southern China and June to August in Eastern China due to the higher demands in rainy seasons.

EMPLOYEES

As of April 30, 2026, we had 8,553 full-time employees. The following table sets forth the number of our employees by function as of April 30, 2026:

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Function	Number of Employees	Percentage of Total
Manufacturing	6,455	75%
R&D	951	11%
Sales	682	8%
Administrative	379	4%
Accounting	82	1%
Others ⁽¹⁾	4	less than 1%
Total	8,553	100%

Note:

(1) Others represents our employees in Board Secretary Office.

As of April 30, 2026, 99.0% of our employees were based in Chinese mainland, while the other employees were primarily based in South Africa, Germany, the United States, Singapore and Japan. All of our overseas employees are sales people.

Our ability to attract, retain and motivate employees is critical to our success. We offer employees competitive salaries and performance-based cash bonuses. We also provide extra welfare and benefits in addition to salaries and bonuses such as the annual health check, and for certain high-level talent, free housing and share incentives.

We have designed various recruiting programs targeted at potential talent meeting our operational needs. We believe that our reputation, work environment, training system, remuneration package and employee share incentive plan give us a competitive advantage in attracting qualified candidates. We primarily recruit through on-site recruitment centers, referrals, online channels including our website and social networking platforms and on-campus job fairs. We believe that we offer our employees competitive compensation and that we are able to attract and retain qualified personnel and maintain a stable core management team. To support our overseas expansion strategy, we have endeavored to hire more experienced staff who can handle cross-border business matters.

As required by the PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance. During the Track Record Period and up to the Latest Practicable Date, we did not fully contribute to housing provident fund contributions and social insurance, including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance for our employees in Chinese mainland as required by the PRC laws and regulations, and statutorily required insurance coverage for overseas employees, primarily due to (i) the wide range of job positions required for our business operations, and the fact that our production lines occasionally need short-term workers to meet peak order demands, which increased the complexity of our compliance efforts; (ii) the applicable PRC laws and regulations governing social insurance and housing provident fund being intricate and varying across regions, which further complicated our compliance management; and (iii) certain employees being unwilling to make social insurance and housing provident fund contributions strictly in proportion to their salaries, as such contributions require additional personal payments from them. According to our PRC Legal Advisors, for the shortfall in social insurance contributions, if the employer fails to pay the contributions in full and on time, a daily late fee at the rate of 0.05% of the outstanding amount will be imposed from the date the payment was due. If the employer still fails to do so within the period specified by the competent authorities, the relevant authorities may impose a fine of from one to three times the amount of the social

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insurance contributions shortfall. We may be ordered by the local housing provident fund management center to make overdue contributions within a prescribed time limit. If we still fail to make such contributions upon the expiry of such time limit, the relevant authority may apply to a people’s court for compulsory enforcement. We may also be ordered by the local housing provident fund management center to complete the procedures for opening housing provident fund accounts for all of our employees within a prescribed time limit, and failure to do so may result in a fine ranging from RMB10,000 to RMB50,000. As of the Latest Practicable Date, we had not received any such notice or order. See “Risk Factor – Failure to fully comply with the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds or other PRC labor related regulations may subject us to fines and other legal or administrative sanctions.”

Having considered the nature of the abovementioned incidents with respect to social insurance and housing provident funds, and taking into account the view of our PRC Legal Advisors, our Directors are of the view that such incidents are neither material non-compliance, as they have not and are not reasonably likely to have in the future, material financial or operational impact on our Company, nor systematic non-compliance, as the non-compliances do not reflect negatively on our Company and/or our Directors’ ability to operate our Company in a compliance manner. On the basis of the due diligence conducted, and taking into account the view of the PRC Legal Advisors, nothing material has come to the Joint Sponsors’ attention that would reasonably cause the Joint Sponsors to cast doubt on the Directors’ view disclosed above. We aim to rectify the non-compliance of failure to make full contribution of social insurance and housing provident funds within three years of the Listing.

We enter into standard labor agreements with our employees. For employees with access to trade secrets and core technologies, we have implemented stringent confidentiality and non-compete agreements. Our employees are currently represented by the labor union. We believe that we maintain a good working relationship with our employees, and we have not experienced any material strikes, work stoppages or labor disputes during the Track Record Period and up to the Latest Practicable Date.

PROPERTIES

We own and lease certain properties in Chinese mainland and overseas countries and regions. The properties we own and lease are primarily used for office, manufacturing, warehousing and employee accommodations purposes.

These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. As of April 30, 2026, each of our property interests had a carrying amount of less than 15% of our combined total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all our interests in land or buildings.

Owned Land and Properties

As of the Latest Practicable Date, we had the right to use two parcels of land with a total gross land area of approximately 219,908 sq.m. located in Chinese mainland, and we had the right to use one parcel of land with a total gross land area of approximately 133,237 sq.m. located in Malaysia. As of the Latest Practicable Date, we owned nine properties in the PRC, with an aggregate area of approximately 651,348 sq.m., which are primarily used for our manufacturing operations. Of these properties, three were acquired during the Track Record Period and up to the Latest Practicable Date, and we have timely obtained and completed the

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necessary fire safety inspection approvals or fire safety filings in respect of such three properties. As of the Latest Practicable Date, we owned one property in Hong Kong, with an aggregate area of approximately 1,695 sq.m., which are primarily used for our offshore office.

According to our PRC Legal Advisor, as of the Latest Practicable Date, we are legally entitled to have ownership of such properties located in the PRC and to occupy, use, transfer, mortgage or otherwise dispose of such properties in accordance with applicable PRC laws. As of the Latest Practicable Date, the ownership of our properties had not been challenged by any third party and we had not been fined by any regulatory authorities for failure to obtain property ownership certificates.

Leased Properties

As of the Latest Practicable Date, we leased 32 properties in Chinese mainland for our employee accommodations and operational purpose. As of the same date, we leased 21 properties overseas, with an aggregate area of approximately 7,749 sq.m for employee accommodations, office and warehousing purposes.

As for these leased properties used as offices, plants and production lines in Chinese mainland, during the Track Record Period and up to the Latest Practicable Date, we have complied with fire safety regulations in all material respects and actively cooperate with property owners and management companies to maintain fire safety, and no fire safety accident occurred on these leased properties, with the exception of one construction project in our leased properties, which is used as office and laboratory, where we have not completed the fire safety filings.

As advised by our PRC Legal Advisor, according to the relevant laws and regulations, failure to complete the fire safety filing might subject us to (i) the order for effecting rectification and a fine of no more than RMB5,000, and (ii) the cessation of our use of such leased property if such project does not pass a spot check, and a fine of RMB30,000 to RMB300,000 if we fail to suspend the use of such project upon notification by the relevant government authorities in the worst scenario. Therefore, the maximum penalty is a fine of no more than RMB305,000. If requested by the relevant government authorities to rectify the non-compliance, we could fully comply with the orders, with measures including but not limited to, completing the fire safety filings to the extent feasible, taking any other fire safety rectification measures, or proactively terminate the use of the leased properties if none of the other measures works, in a timely manner. Moreover, in case such office and laboratory were ordered to be closed down, we believe we can relocate to alternative properties within a reasonable period of time and at reasonable costs as (i) the substitutability of such leased property is high without special requisite conditions, and (ii) there are sufficient alternative leased properties available in the applicable regions. Therefore, we believe that even if the failure to complete the fire safety filing subject us to the cessation of our operation of such office and laboratory, such administrative penalties would not have a material and long-lasting adverse effect on our operation.

As of the Latest Practicable Date, we had not received real estate ownership certificates or proof of authorizations from the lessors or the property owners for certain properties we leased in China, the actual usages of certain properties we leased in the PRC are different from the usage stated in the title certificates of those properties, which we used for dormitory or commercial use, and the lease filing procedures of certain leased properties had not been completed.

Pursuant to PRC laws and regulations, property lease agreements must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, 29 of our domestic lease agreements were not registered with the relevant authorities. According to our PRC Legal Advisor, the failure to complete such

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registration process does not affect the validity of the relevant property lease agreements, and a maximum penalty of RMB10,000 may be imposed for the non-registration of each lease agreement. We believe we would be able to relocate to a different site relatively easily at a relatively low reallocation cost should we be required to do so, since alternative properties in the vicinity are readily available, and relocation is relatively straightforward. Based on the due diligence work performed by the Joint Sponsors, nothing material has come to the attention of the Joint Sponsors that contradicts the Directors’ view disclosed above.

See “Risk Factor – We may be subject to fines for failure to register some of our leases, and our legal right to use certain properties could be challenged or restricted.” As advised by our PRC Legal Advisor, we believe these defects would not have material adverse effect on our use of the properties for our business. During the Track Record Period and as of the Latest Practicable Date, we were not subject to any material claims arising from or in respect of any defect in our leasehold interest in any of our leased properties.

Having considered the nature of the abovementioned incidents with respect to lease registration, and taking into account the view of our PRC Legal Advisors, our Directors are of the view that such incidents are neither material non-compliance, as they have not and are not reasonably likely to have in the future, material financial or operational impact on our Company, nor systematic non-compliance, as the non-compliances do not reflect negatively on our Company and/or our Directors’ ability to operate our Company in a compliance manner. On the basis of the due diligence conducted, and taking into account the view of the PRC Legal Advisors, nothing material has come to the Joint Sponsors’ attention that would reasonably cause the Joint Sponsors to cast doubt on the Directors’ view disclosed above.

INSURANCE

As required by PRC laws and regulations, we maintain government-mandated insurance and benefits for our employees in Chinese mainland, including the medical, pension, unemployment, occupational injury and maternity insurance as well as housing provident funds. We also maintain statutorily required insurance coverage for overseas employees. From an operational risk perspective, we have procured various commercial insurance policies, including property all-risk insurance, cargo transportation insurance, product liability insurance and export credit insurance. As advised by Frost & Sullivan, we believe that our insurance coverage is adequate and in line with the industry practice. We procured insurance policies by type and amount that we consider sufficient and evaluated such insurance policies from time to time based on our past experience, changes in manufacturing and industry developments. Our management will evaluate the adequacy of our insurance coverage from time to time and purchase additional insurance policies as needed. For more information, please refer to “Risk Factors – We may not have sufficient insurance coverage to cover our business risks” in this document.

During the Track Record Period and up to the Latest Practicable Date, we did not submit any material insurance claims, nor did we experience any material difficulties in renewing our insurance policies.

AWARDS AND RECOGNITIONS

During the Track Record Period, we received numerous recognitions for our operations, technologies and products. Some of the significant awards and recognition we received are set forth below.

Award Year	Award/Recognition	Awarding Institution/Authority
2023	National Green Factory (國家綠色工廠)	Ministry of Industry and Information Technology (工業和信息化部)

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Award Year	Award/Recognition	Awarding Institution/Authority
2023	Provincial Industrial Design Center (省級工業設計中心)	Zhejiang Provincial Department of Economy and Information Technology (浙江省經濟和信息化廳)
2023	Provincial Key Enterprise Research Institute (省級重點企業研究院)	Zhejiang Provincial Department of Science and Technology (浙江省科學技術廳)
2023	Zhejiang Science and Technology “Little Giant” Enterprise (浙江省科技小巨人企業)	Zhejiang Provincial Department of Science and Technology (浙江省科學技術廳)
2023	National High-Tech Enterprise (國家高新技術企業)	Ningbo Municipal Science and Technology Bureau; Ningbo Municipal Finance Bureau; Ningbo Tax Service, State Taxation Administration (寧波市科學技術局；寧波市財政局；國家稅務總局寧波稅務局)
2024	Zhejiang Top 100 Innovation Capacity of High-Tech Enterprises (浙江省高新技術企業創新能力百強榜)	Zhejiang Institute of Science and Technology Information (浙江省科技信息研究院)
2025	Provincial Postdoctoral Workstation (省級博士後工作站)	Zhejiang Provincial Postdoctoral Affairs Office (浙江省博士後工作辦公室)
2025	National Enterprise Technology Center (國家企業技術中心)	National Development and Reform Commission; Ministry of Science and Technology; Ministry of Finance; General Administration of Customs; State Taxation Administration (國家發展改革委；科技部；財政部；海關總署；國家稅務總局)
2025	2025 Zhejiang Outstanding New Industrial Products (2025年度浙江省優秀工業新產品)	Zhejiang Provincial Department of Economy and Information Technology (浙江省經濟和信息化廳)
2025	2025 National First Equipment List (2025年度國內首台(套)裝備)	Zhejiang Provincial Department of Economy and Information Technology (浙江省經濟和信息化廳) Zhejiang Provincial Department of Finance (浙江省財政廳)

LICENSES, CERTIFICATES AND PERMITS

During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisor, we had obtained all requisite licenses, certificates and permits from the relevant authorities that are material to our operations in Chinese mainland. We are required to renew such licenses, permits, approvals and certificates from time to time. As advised by our PRC Legal Advisor, we do not expect any material legal obstacles in such renewal provided that we have complied with all the relevant requirements as required by the relevant government authorities. In addition, during the Track Record Period and up to the Latest Practicable Date, we had obtained all material licenses, certificates and permits necessary to conduct our business in all relevant jurisdictions. We do not expect any material legal obstacles in renewing our licenses, certificates and permits, as necessary, from time to time.

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The following chart sets forth our material licenses, certificates and permits up to the Latest Practicable Date:

Holder	Licenses, Certificates or Permits	Expiry Date
Company	Record of a Consignee or Consignor of Imported or Exported Goods (進出口貨物收發貨人備案)	No expiration date
Deye International Trade	Record of a Consignee or Consignor of Imported or Exported Goods (進出口貨物收發貨人備案)	No expiration date
Deye Inverter Technology	Record of a Consignee or Consignor of Imported or Exported Goods (進出口貨物收發貨人備案)	No expiration date
Deye Inverter Technology	Registration Receipt of Fixed Pollution Source Emission (固定污染源排污登記回執)	February 28, 2029
Deye Inverter Technology	High and New Technology Enterprise Certificate (高新技術企業證書)	December 25, 2028
Ningbo Environmental Appliances	Record of a Consignee or Consignor of Imported or Exported Goods(進出口貨物收發貨人備案)	No expiration date
Ningbo Environmental Appliances	Registration Receipt of Fixed Pollution Source Emission (固定污染源排污登記回執)	February 23, 2028
Deye Environmental Appliance	Record of a Consignee or Consignor of Imported or Exported Goods(進出口貨物收發貨人備案)	No expiration date
Deye Environmental Appliance	Registration Receipt of Fixed Pollution Source Emission (固定污染源排污登記回執)	May 14, 2031
Deye Environmental Appliance	High and New Technology Enterprise Certificate (高新技術企業證書)	December 5, 2027
Dechu International Trade	Record of a Consignee or Consignor of Imported or Exported Goods (進出口貨物收發貨人備案)	No expiration date
Deye ESS Technology	Record of a Consignee or Consignor of Imported or Exported Goods (進出口貨物收發貨人備案)	No expiration date
Deye ESS Technology	Registration Receipt of Fixed Pollution Source Emission (固定污染源排污登記回執)	November 4, 2030
Deye ESS Technology	High and New Technology Enterprise Certificate (高新技術企業證書)	December 7, 2026

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We are committed to our ESG strategic guideline, which emphasizes value orientation and technological innovation. Our goal is to continuously provide high-quality products and services to our customers while building a green, low-carbon, and modernized enterprise. We incorporate the ESG principles of lean production, technological innovation, environmental protection, sustainable development, and social responsibility into both our business strategy and daily operations.

ESG Governance Structure

Our Board of Directors provides leadership and decision-making on ESG matters. The Board’s responsibilities include reviewing and approving our ESG development strategy and targets, material topics, governance framework, management systems, and our ESG report.

Our Board of Directors leads and oversees the company’s ESG initiatives, with responsibilities including: (i) reviewing and approving the company’s ESG strategy, goals, and policies; (ii) reviewing the company’s ESG report; (iii) supervising and evaluating the achievement of ESG goals and related matters; and (iv) reviewing and overseeing ESG-related risks and opportunities that significantly impact the company’s business. The Board Strategy and Sustainable Development Committee serves as a research and advisory body for ESG efforts,

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responsible for: (i) recommending sustainability and ESG-related policies to the Board; (ii) guiding the formulation of the company’s ESG strategy and monitoring ESG matters; (iii) identifying and monitoring significant ESG-related risks and opportunities, submitting them to the Board for consideration, and directing management on appropriate responses; (iv) researching ESG goals, guiding their establishment and implementation planning, regularly reviewing progress, and recommending actions to enhance performance; and (v) reviewing ESG-related disclosure documents, including annual ESG reports. We have also established an ESG working group tasked with implementing the company’s ESG development strategy and goals, coordinating ESG activities across various executive units.

ESG Risk Management

We believe that identifying and managing ESG-related risks is crucial to our sustainability. Our ESG Workbook standardizes ESG risk management content, and we plan to enhance this content in line with listing rules post-listing, covering responsibilities, systems, processes, and working mechanisms.

We have evaluated the environmental, climate, and social impacts on our business, identifying the following risks, opportunities, and impacts:

Environmental risk

Natural disasters, epidemics, or other unforeseen events pose risks to our operations, potentially disrupting production and supply chains, leading to financial losses and downtime. Power shortages may also challenge our manufacturing processes, causing delays in delivery. Stricter waste disposal requirements increase the risk of environmental contamination and regulatory violations, which could result in fines and reputational damage. We identified the following material issues and environmental risk factors, and established the corresponding risk mitigation measures:

Categories		Potential Impact	Risk Mitigation Measures To Be Taken
Transition risk	Policy & Legal Risk	In the context of global carbon neutrality, overseas markets have introduced carbon tariffs, which may increase export costs and compliance pressure if they cover the company’s products.	Consider carrying out carbon footprint verification on relevant products to strengthen the management of information related to carbon emissions.
	Market Change Risk	Downstream customers and end markets may put higher demands on low-carbon, low-emission products, and failure to meet relevant expectations in time may affect product competitiveness.	Consider product mix optimization to reduce carbon emissions, aiming to meet market expectations over time to mitigate potential business impact.

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Categories		Potential Impact	Risk Mitigation Measures To Be Taken
Physical Risk	Acute risk	Our core production base is mainly located in Ningbo, Zhejiang (coastal area). Extreme weather events such as heavy rainfall, typhoons and heat waves can cause disruptions to production/supply chains that can impact normal operations.	Monitors climate change trends and weather forecasts, conducts environmental risk assessments, develops emergency environmental plans, and increases employee awareness.
	Chronic risk	Rising temperatures and changes in rainfall can affect our operations, such as increasing the demand for electricity and cooling to maintain proper temperatures.	Consider gradually optimizing the energy mix to ease the cost pressure of related energy demand growth.

Social Risk

Adhering to Chinese laws and regulations concerning environmental, safety, and occupational health matters presents a social risk. Maintaining strict compliance is essential to avoid legal issues and ensure the safety and well-being of our employees and communities. For more information, please see “Risk Factors – Risks Relating to Our Business and Our Industry – Our manufacturing activities are subject to safety risks, and any accidents that occur during our manufacturing operations may expose us to civil, labor, environmental, and criminal liabilities and adversely affect our business, results of operations, financial condition, and prospects”.

Targets and Measures

To address the identified risks, we set goals and implement measures to minimize the environmental, social, and climate-related impacts on our business. Our objectives include (i) achieving zero major safety incidents, zero environmental pollution incidents; (ii) a 100% compliance rate for pollutant emissions; and (iii) a 100% waste compliance disposal rate; (iv) by 2028, reducing per-unit electricity consumption of inverter products by approximately 4% compared to 2025, and reducing per-unit water consumption by approximately 5% compared to 2025. Additionally, we plan to conduct further feasibility analyses of quantitative goal setting and gradually establish more quantitative feasibility goals post-listing.

To support these objectives, we monitor climate change trends and weather forecasts, establish emergency response mechanisms such as the Environmental Emergency Management System, and implement energy-saving and emission-reduction measures. We also provide occupational health and safety training and education to enhance employee awareness, promote green office and operational practices, and increase employee awareness of environmental protection.

Environmental Protection

We strictly comply with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), the Air Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣

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污染防治法》), the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) and other applicable environmental laws and regulations.

We have developed environmental management systems, including the environmental protection management system, hazard screening and governance management system and waste management system, and we implement quality, environmental, and safety management systems throughout our operations. Our Company, along with Deye ESS Technology, Deye Inverter Technology, and Deye Environmental Appliance, has achieved ISO 14001:2015 environmental management systems certification. During the Track Record Period, (i) we reported zero major environmental pollution incidents, (ii) there were no administrative penalties or lawsuits for environmental non-compliance, (iii) we maintained a 100% compliance rate for pollutant emissions. Unless otherwise specified, our environmental performance indicators encompass the Company and Deye ESS Technology, Deye Inverter Technology, Ningbo Environmental Electric and Deye Environmental Appliance.

Emissions Management

Our production processes generate both non-hazardous and hazardous wastes. We strictly comply with the environmental laws and regulations set forth above and have formulated internal policies such as the Waste Management Measures (《廢棄物管理辦法》) to standardize the classification, collection, storage and disposal of wastes. Non-hazardous wastes, such as metal scraps and packaging materials, are sold to enterprises that hold recycled resource business filing registration certificates for processing. Hazardous wastes, including waste oil residue, waste lubricant, dewatered sludge, and waste volatile oil, are disposed of by third-party service providers with qualification certification and in compliance with the Standard for Pollution Control on Hazardous Waste Storage (《危險廢物貯存污染控制標準》) (GB18597-2023).

Our wastewater primarily consists of domestic sewage and water from coating lines and spray towers. We strictly comply with the environmental laws and regulations set forth above and have formulated internal policies such as the Sewage Station Operation Management System (《污水站運行管理制度》). The wastewater is connected to the municipal sewage pipeline network. Production wastewater contains pollutants such as suspended solids and ammonia nitrogen, which are treated in accordance with the Integrated Wastewater Discharge Standard (《污水綜合排放標準》) (GB8978-1996), the Indirect Emission Limits of Nitrogen and Phosphorus Pollutants from Industrial Wastewater (《工業企業廢水氮、磷污染物間接排放限值》) (DB33/887-2013), and the Water Quality Standards for Sewage Discharged into Urban Sewers (《污水排入城鎮下水道水質標準》) (GB/T31962-2015). We ensure compliance through periodic testing conducted by third-party professional institutions with qualification certification.

Exhaust gases are mainly produced from reflow soldering, wave soldering, coating lines, and laser cutting processes. We strictly comply with the environmental laws and regulations set forth above and have formulated internal policies such as the Exhaust Gas Equipment Operation Management System (《廢氣設備運行管理制度》) to regulate such emissions. These emissions include particulates, non-methane hydrocarbons, and sulfur dioxide. We process these emissions through the exhaust gas treatment system to comply with the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》) (GB16297-1996), the Emission Standard of Air Pollutants for Industrial Coating Processes (《工業塗裝工序大氣污染物排放標準》), and the requirements of the Comprehensive Treatment Plan for Air Pollutants from Industrial Furnaces and Kilns (《工業爐窯大氣污染物綜合治理方案》) (Huan Da Qi [2019] No. 56), and engage third-party institutions with qualification certification for regular testing.

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During the Track Record Period, our emissions performance details are as follows:

	Year Ended December 31,			Four Months Ended
	2023	2024	2025	April 30, 2026
Disposed hazardous waste (tons) ⁽¹⁾	34.36	79.85	48.56	17.1
Hazardous waste disposing intensity (tons/RMB million revenue)	0.0046	0.0071	0.0041	0.0028
Disposed non-hazardous waste generated (tons) ⁽²⁾	529.82	875.64	996.57	604.26
Non-hazardous waste disposing intensity (tons/RMB million revenue)	0.07	0.08	0.08	0.10
Exhaust emissions (tons) ⁽³⁾	7.57	10.02	19.84	5.88
Exhaust emissions intensity (tons/RMB million revenue)	0.0010	0.0009	0.0016	0.0010
Wastewater discharge ⁽⁴⁾ (thousand tons)	114.01	172.80	164.70	45.52
Wastewater discharge intensity (tons/RMB million revenue)	0.0152	0.0154	0.0135	0.0074

Note:

- (1) The disposed hazardous waste increased from 2023 to 2024, primarily due to the business expansion. It decreased from 2024 to 2025, primarily due to the relocation of production bases and suspension of hazardous waste disposing.
- (2) The disposed non-hazardous waste increased during the Track Record Period, primarily due to the business expansion as well as the increase of employees.
- (3) The exhaust emissions increased during the Track Record Period, primarily due to the addition of new production processes and testing requirements.
- (4) The wastewater discharge increased from 2023 to 2024, primarily due to the business expansion. It decreased from 2024 to 2025, primarily due to the relocation of production bases.

During the Track Record Period, such emission data was not audited by an external adviser. We will introduce external adviser in the future as necessary.

Resource Management

Our principal energy sources are purchased electricity and natural gas. We comply with the Energy Conservation Law of the PRC (《中華人民共和國節約能源法》) and our internal energy management policy to reduce energy consumption and emissions by optimizing manufacturing processes and advocating green office practices.

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During the Track Record Period, our energy consumption and intensity were as follows:

	Year Ended December 31,			Four Months Ended
	2023	2024	2025	April 30, 2026
Purchased electricity (kWh)	54,957,728.50	80,084,318.00	88,096,852.00	43,345,218.00
Purchased electricity intensity (kWh/RMB1 million revenue)	7,347.58	7,146.56	7,207.03	7,013.32
Natural gas consumption (m ³)	1,213,632.00	1,797,357.00	1,422,249.00	629,025.25
Natural gas consumption intensity (m ³ /RMB1 million revenue)	162.26	160.39	116.35	101.78

Our water usage is primarily from municipal supply. We adhere to the Water Law of the PRC (《中華人民共和國水法》) and our internal water resources management policy to promote conservation via low-flow fixtures, cooling water circulation and rainwater harvesting for irrigation. We monitor and manage water consumption through a dedicated function responsible for metering, monitoring, system maintenance and repairs. During the Track Record Period, our total water consumption and intensity were as follows:

	Year Ended December 31,			Four Months Ended
	2023	2024	2025	April 30, 2026
Total water consumption (thousand tons)	275.67	331.31	385.30	186.48
Water intensity (thousand tons/RMB1 million revenue)	0.04	0.03	0.03	0.03

We strive to reduce the environmental impact of packaging by using recyclable materials, such as partially renewable-content cartons, to enhance recovery and utilization. During the Track Record Period, our packaging material usage was as follows.

	Year Ended December 31,			Four Months Ended
	2023	2024	2025	April 30, 2026
Packaging materials used (thousand tons)	5,415.92	9,871.72	11,295.43	6,279.70
Packaging intensity (thousand tons/RMB1 million revenue)	0.72	0.88	0.92	1.02

Addressing Climate Change

Given our business, Scope 2 emissions are the primary source of our greenhouse gases (GHG) emissions, primarily from purchased electricity consumption in our factories, offices and dormitories, and Scope 1 emissions are a secondary source of our GHG emissions.

We intend to explore the feasibility of collecting Scope 3-related data and prepare for data collection in 2026. Starting with our 2027 ESG report, we will gradually disclose indirect

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emissions from Scope 3, including data related to employee travel, and continue this disclosure in subsequent annual ESG reports. During the Track Record Period, our greenhouse gas emissions and intensity were as follows:

	Year Ended December 31,			Four Months Ended April 30,
	2023	2024	2025	2026
Scope 1 emissions (tons CO ₂ e)	2,624.12	3,886.25	3,075.19	1,360.08
Scope 2 emissions (tons CO ₂ e)	30,869.76	44,983.36	49,484.00	24,347.01
Total emissions (tons CO ₂ e)	33,493.87	48,869.61	52,559.19	25,707.09
Emissions intensity (tons CO ₂ e/RMB1 million revenue)	4.48	4.36	4.30	4.16

Emissions are calculated in accordance with the GHG Protocol Tool for Energy Consumption in China.

Social Responsibility

Employment

We comply with the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) and other applicable labor laws and regulations. We have established internal policies covering recruitment, compensation and benefits, time and attendance, and leave management to safeguard employee rights and interests.

As of April 30, 2026, we had 8,553 employees. Our employee profile was as follows:

	Number	Percentage
Total number of employees	8,553	100%
By gender		
– Male	5,839	68.3%
– Female	2,714	31.7%
By age		
– 30 and below	4,615	54.0%
– 31 to 40	2,607	30.5%
– 41 to 50	1,033	12.1%
– 51 and above	298	3.5%
By region		
– Chinese mainland	8,463	99.0%
– Other countries and regions	90	1.0%

Labor Standards

We strictly prohibit child labor and forced labor, and implement standardized recruitment and identity verification processes in accordance with applicable laws and regulations including the Provisions on the Prohibition of Using Child Labor. During the Track Record Period and up to the Latest Practicable Date, we did not have incidents of child labor, forced labor, trafficking, or discriminatory employment. We adhere to the principles of anti-discrimination, anti-force labor, anti-child labor and anti-harassment compliance, respecting the individual backgrounds of employees of different race, ethnicity, gender, age, religion, disability, etc., and are committed to creating an open and inclusive workplace culture.

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Development and Training

We maintain multi-level training and development arrangements to support employees’ learning and capability-building at different stages, and have established a rank and grading system and employee training system covering managerial, professional and technical paths to support career progression. We have organized ESG-related training to train relevant executives and functional staff, and plan to conduct further training.

Occupational Health and Safety

We are committed to a healthy and safe working environment and comply with applicable laws and regulations, including the Law on the Prevention and Control of Occupational Diseases of the PRC (《中華人民共和國職業病防治法》) and the Administrative Provisions on Occupational Health in Workplaces (《工作場所職業衛生監督管理規定》). Internally, we have established comprehensive safety systems, including safety production management, occupational disease prevention, risk assessment and incident investigation and handling. Our Company and certain subsidiaries (Deye ESS Technology, Deye Inverter Technology and Deye Environmental Appliance) have obtained ISO 45001:2018 occupational health and safety management systems certification.

We regularly conduct occupational health and safety risk assessments and engage third-party institutions for testing. Safety culture is integrated into our management practices, and we conduct regular safety training sessions. We impose stringent safety requirements on contractors, including qualification verification, safety agreements, insurance coverage, and the provision of compliant protective equipment. These measures are supported by on-site supervision and penalties for violations.

Business Ethics

We emphasize business integrity and have established the Supervision and Inspection Management System (《監察工作管理制度》). We disclose whistleblowing channels, conduct investigations in accordance with laws and regulations, strictly protect whistleblowers, and organize integrity training with employee pledges for ethical conduct. We also require suppliers to sign Integrity Co-construction Agreements (《廉政共建協議》) to prevent embezzlement, extortion and commercial bribery.

In addition, in line with the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) and the Compliance Guidelines for Operators under the Anti-Monopoly Law (《經營者反壟斷合規指南》), we have adopted an Antitrust Compliance Management System (《反壟斷合規管理制度》) and established an Antitrust Compliance Committee (反壟斷合規委員會) responsible for policy updates, decision-making on major matters, training, publicity and investigations to mitigate legal risks, ensure compliant operations and uphold fair competition.

Community Investment

We actively engage in philanthropy focusing on education revitalization, rural development, support for vulnerable groups, ecological protection and international humanitarian aid. In November 2025, following the Wang Fuk Court fire in Taipo, Hong Kong and as part of our disaster-relief and community-resilience initiatives, we donated HK\$5 million to the Wang Fuk Court Relief Fund in Hong Kong to provide medical assistance, support the post-disaster resettlement of affected residents and finance reconstruction efforts. Our initiatives also include donations to education foundations and green energy demonstration projects and public lighting in rural areas, support for community public facilities, assistance to eldercare institutions, environmental projects through professional foundations, international disaster relief.

BUSINESS

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management’s time and attention. See “Risk Factors – Legal proceedings and claims could have a material adverse effect on our business, results of operations, or financial condition” in this document.

During the Track Record Period and up to the Latest Practicable Date, there had been no legal proceedings pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on business, financial condition and results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, as advised by our legal advisors in jurisdictions which contributed to more than 5% of revenue in any year during the Track Record Period, namely the PRC, Germany, Pakistan, India and South Africa and jurisdictions which we have material trading and manufacturing activities, namely the PRC, Germany, Pakistan, India and South Africa, we had not been and were not involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on business, financial condition and results of operations.

BUSINESS ACTIVITIES WITH CUSTOMERS IN RELATION TO COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

Sanction Risks

The U.S. and other jurisdiction, including the United Nations, the European Union (“EU”), the United Kingdom (“UK”) and Australia (“AU”) (“**Relevant Jurisdictions**”), and their sanctions authorities, have, through executive orders, passing of legislation or other governmental actions, implemented international sanctions targeting entities and individuals that are Sanctioned Targets, are nationals of or located in Sanctioned Countries or are associated with certain industries or sectors in specific countries.

During the Track Record Period, we had sales and deliveries of new energy products and dehumidifiers to customers located in jurisdictions subject to comprehensive or selective sanctions imposed by Relevant Jurisdictions, in particular, Syria, Iran, North Korea, Russia, and Belarus (each, a “**Relevant Region**”, and collectively, “**Relevant Regions**”). Among the Relevant Regions, Syria, Iran and North Korea are subject to comprehensive U.S. economic sanctions. Russia and Belarus are not currently subject to comprehensive U.S. economic sanctions, but a significant number of entities, individuals and industries in Russia and Belarus are subject to U.S. economic sanctions.

U.S. Sanctions

Primary Sanction Risk

In 2022, we had sales and deliveries of inverters to two customers located in Syria, which was subject to comprehensive U.S. economic sanctions, and these transactions were denominated in U.S. dollars. As advised by our International Sanctions Legal Advisor, these U.S. dollar-denominated transactions with customers in Syria involved violations of U.S. primary sanctions laws that prohibited the use of U.S. financial institutions to export and supply financial services for trades with Syria. We received payments for these two U.S. dollar-denominated transactions in 2022 (the “**Syria Sales**”) in an aggregate amount of approximately US\$230,000 by four wire transfers in total.

BUSINESS

After consulting with our International Sanctions Legal Advisor, we made an initial notification of voluntary self-disclosure ("VSD") to OFAC on January 23, 2026 and filed the comprehensive VSD letter to OFAC on July 20, 2026 related to the Syria Sales.

According to the base penalty matrix specified under the OFAC Enforcement Guidelines, cases where the apparent violation is disclosed through a VSD can result in a 50 percent reduction in the base amount of a proposed civil penalty. In a non-egregious case, the base penalty amount applicable to the Group would be one-half of the transaction value, capped at a maximum base amount of US\$188,850 per violation, except where the statutory maximum penalty applicable to the apparent violation is less than US\$377,700, in which case the base amount of the proposed civil penalty shall be capped at one-half the statutory maximum penalty applicable to the apparent violation (the base civil monetary penalty amount is US\$115,000, equaling one-half of transaction value). In an egregious case, the base penalty amount applicable to the Group would be one-half of the applicable statutory maximum penalty applicable to the violation (the base civil monetary penalty amount is US\$755,400, equaling US\$188,850 per wire transfer). However, whether our case will be deemed egregious is subject to the discretion of OFAC. As advised by our International Sanctions Legal Advisor, in practice, OFAC is unlikely to impose a civil penalty greater than the transaction value in cases where a VSD is filed, and OFAC may impose a civil penalty that is significantly lower than 50 percent of a proposed civil penalty, or close its investigation without taking further action through a negotiated settlement process by considering mitigating factors such as first-time offense, voluntary disclosure and cooperation with OFAC. We believe the penalty amount will not materially and adversely affect our financial position, operating results, or cash flows. We have ceased all the business activities related to Syria since October 2022.

There were no subsequent transactions to any person located in Syria. Effective July 1, 2025, the United States no longer maintains comprehensive sanctions on Syria.

In terms of our sales to Iran, we sold new energy products to one Iranian customer in 2019, amounting to EUR53,880. In terms of our products being diverted to North Korea, we conducted two transactions with one company incorporated in Hong Kong, which exported our household dehumidifiers to North Korea, separately in June 2023 and October 2024, with the revenue recognized in 2024 amounting to RMB1,264,500.

Such transactions relating to Iran and North Korea did not involve any U.S. persons or U.S.-origin items, did not occur in the U.S.; and were not settled in U.S. dollars. As advised by our International Sanctions Legal Advisor, no primary sanctioned activity occurred with respect to these transactions as no U.S. nexus was involved. There were no subsequent transactions to any person located in Iran since August 2019 or North Korea since October 2024.

Secondary Sanctions Risk

Secondary Sanctions risk may be present as a result of the activities of non-U.S. persons outside the U.S. even when the activities has no U.S. nexus. OFAC deters non-U.S. persons from engaging in specific activities involving Sanctioned Countries, industries and/or persons. Any activity implicating Secondary Sanctions risks would not give rise to civil and criminal penalties. However, OFAC may add the participants of these activities to the SDN List or other sanction lists. We had sales and deliveries of new energy products and dehumidifiers to customers located in Syria, Iran, North Korea, Russia and Belarus, which might expose us to Secondary Sanction risks.

As advised by our International Sanctions Legal Advisor, considering that: (i) these transactions involved no U.S. nexus; (ii) none of counterparties was designated as a Sanctioned Target; (iii) we had ceased all transactions in Iran since August 2019 and we had ceased all transactions in North Korea since October 2024; and (iv) we had ceased all transactions in Russia and Belarus as of January 13, 2026, our exposure to Secondary Sanctions risks under the Iranian, North Korean, Russian and Belarusian sanctions regimes remains relatively low.

BUSINESS

In addition, the U.S. has also enacted Secondary Sanctions targeting Syria. As advised by our International Sanctions Legal Advisor, considering that none of our counterparties in Syria is related to the government of Syria or has been designated as a Sanctioned Target, and the United States no longer maintains comprehensive sanctions on Syria effective July 1, 2025, our exposure to Secondary Sanctions risks under the Syrian sanctions regime should be remote.

The table below sets out the income of the revenue attributable to the Group’s business activities that are subject to primary and secondary sanctions risks as of the dates indicated:

Country	Settlement Currency	For the year ended December 31,						
		2019	2020	2021	2022	2023	2024	2025
Syria	USD	-	-	-	230,000.00	-	-	-
Iran	EUR	53,880.00	-	-	-	-	-	-
North Korea	RMB	-	-	-	-	-	1,264,500.00	-
Russia	RMB	137,123.93	241,183.55	718,816.89	2,108,966.72	-	1,651,951.21	-
Belarus	RMB	-	-	6,033.73	332,269.89	-	755,262.60	-

With regard to our business operations in the aforementioned countries, we will strictly comply with our internal control measures regarding economic sanctions, promptly identify any Sanctioned Targets involved in transactions, and suspend or terminate such transactions in accordance with our internal control mechanisms to ensure that the risk of secondary sanctions is effectively managed. We also have taken actions to prevent our products from being sold to countries that are subject to comprehensive U.S. economic sanctions by the downstream customers via our sanctions compliance framework.

The table below sets forth the background information of the relevant customers that are subject to primary and secondary sanctions risks. We have ceased conducting business with all such customers that are subject to primary and secondary sanctions risks as of the Latest Practicable Date.

Country	Customer Background
Syria	Electronics store; solution provider for solar energy services and smart applications
Iran	Residential HVAC product company
North Korea	Trading company registered in HK who then shipped the products to North Korea as disclosed by such customer
Russia	Trading company and supply chain company primarily provide household products
Belarus	Trading company and supply chain company primarily provide household products

Furthermore, as advised by our International Sanctions Legal Advisor, our sales to Lebanon and Iraq are not subject to any primary or secondary sanctions risks as no counterparty in such areas has been designated as a Sanctioned Target. We do not have any subsidiary or operations in the Sanctioned Country. During the Track Record Period, we did not purchase any U.S.-origin items, nor did we purchase any items in Chinese Mainland that were ultimately sourced from the United States.

Our Directors are of the view that the sanction risks have had no material adverse impact, directly or indirectly, on our business operations and financial performances.

BUSINESS

Sanction Risks to Relevant Persons Resulting from Participation in [REDACTED]

Given the scope of the [REDACTED] and the expected use of [REDACTED] as set out in this document, our International Sanctions Legal Advisor is of the view that parties involved in the [REDACTED] will not be implicated by any applicable International Sanctions, including our Company, and [REDACTED] and shareholders and persons who might, directly or indirectly, be involved in permitting the [REDACTED] of our H Shares, including the Stock Exchange and related group companies, the Joint Sponsors, the [REDACTED] and the [REDACTED] of the [REDACTED] accordingly, the sanctions risk exposure as a result of such involvement in the [REDACTED] is low.

Our Undertakings to the Stock Exchange

We undertake to the Stock Exchange that:

- we will implement the internal control measures to minimize International Sanctions risk as described above;
- we will not use the [REDACTED] from the [REDACTED], as well as any other funds raised through the Stock Exchange, whether directly or indirectly, to finance or facilitate any activities or businesses with, or for the benefit of, any sanctioned regions or any other government, individual or entity sanctioned by the United States, the United Nations (the “UN”), the European Union, the U.K. and Australia, including but not limited to, any government, individual or entity that is the subject to any OFAC-administered sanctions or that would be in breach of sanctions imposed by the United States, the UN, the European Union, the U.K. and Australia;
- we will not use the [REDACTED] from the [REDACTED] to pay any damages for terminating or transferring any contract that violates International Sanctions;
- we will not undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, Joint Sponsors, our Shareholders, or potential investors to violate or become a target of sanctions laws of the United States, the UN, the European Union, the U.K. and Australia;
- we will make timely disclosure on our website if we believe that any of our business activities would put us or our Shareholders and investors at risks of being in breach of the sanctions imposed by the United States, the UN, the European Union, the U.K. and Australia; and
- we will also include such disclosures in our annual or interim reports and the discussion of our efforts on monitoring our business exposure to sanctions risk, the status of our future business (if any) in any country subject to sanctions imposed by the United States, the UN, the European Union, the U.K. and Australia, and our business intention relating to customers from any such country.

Our Internal Control Measures to Minimize International Sanctions Risk

We will continue to enhance internal control and risk management measures which we believe enable us to better monitor and evaluate our business and to address economic sanctions risks.

In particular, our International Sanctions Legal Advisor has recommended the following compliance measures. Our International Sanctions Legal Advisor is of the view that, these measures are consistent with guidance published by OFAC regarding sanctions compliance programs, and are adequate and effective for us to comply with applicable International Sanctions laws and to address sanctions risks.

BUSINESS

- We will adopt a trade compliance policy ("**Trade Compliance Policy**") for the purposes of complying with applicable International Sanctions.
- Our Trade Compliance Policy will include appropriate procedures:
 - identify the sanctions regimes currently in place in various countries and assess the degree of risk associated with conducting business in or with sanctioned countries;
 - establish a robust screening mechanism to identify whether transaction counterparties are listed on the SDN List, Entity List or any other restrictive lists (the "**Restrictive Lists**") maintained, announced or issued by the United Nations Security Council or the competent authorities of the major judicial jurisdictions, including without limitation the PRC, the United States, the UN, the European Union, the U.K. and Australia ("**Relevant Jurisdiction**"). The results of the screening will enable us to assess the extent of legal, commercial, or reputational risks and determine appropriate measures to mitigate such risks. The process is designed to avoid any violation of Primary Sanctions; any transaction identified to be involved or will be involved secondary sanction risks will be escalated to the Sanctions Oversight Committee for evaluation and approval;
 - stipulate that if any proposed business involves a country/region subject to comprehensive sanctions, such business must be escalated to the Sanctions Oversight Committee for evaluation and approval;
 - define a clear protocol for action in the event of a potential violation. If any non-compliant activity is detected, we will immediately cease the transaction and escalate to the Sanctions Oversight Committee. Notify the Relevant Jurisdiction as appropriate and take remedial measures;
 - continuously monitor for any changes in relevant laws and regulations maintained, announced or issued by the Relevant Jurisdiction and update our Trade Compliance Policy promptly so that it remains current and fully effective;
- We will establish a Sanctions Oversight Committee to coordinate the implementation of the Trade Compliance Policy.
- The Sanctions Oversight Committee will be authorized to engage external legal advisors with relevant expertise and experience in sanctions matters to evaluate the sanctions risk as and when necessary and will formulate risk management measures taking into account the advice and recommendations provided by such external legal advisors. Furthermore, we will periodically retain independent external sanctions experts to audit our Trade Compliance Policy and relevant internal control measures, verifying their ongoing adequacy and effectiveness.
- The Sanctions Oversight Committee will be authorized to arrange appropriate compliance training for our Directors, our senior management, and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations.
- We will open and maintain separate bank account(s) which is/are designated for [REDACTED] from the [REDACTED], as well as any other funds raised through the Stock Exchange. Our Sanctions Oversight Committee will monitor and regulate the use of [REDACTED] from the [REDACTED], as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Country or any other government, individual, or entity sanctioned by the United States, the European Union, or the U.K.

BUSINESS

We have implemented the internal control measures and issued sanctions-related requirement to our Group on January 13, 2026, including prohibiting the transaction and any kind of activities with Sanctioned Countries and Relevant Regions, requesting all departments to immediately conduct a thorough review of existing clients, partners, and business records, requesting report of any findings, and enhancing screening mechanism for new clients.

With regard to the internal control measures set out above, subject to the planned full implementation and enforcement of the above measures, our Directors, after taking into account the view of our International Sanctions Legal Advisor, are of the view that these measures will provide an adequate and effective framework to assist us in identifying and monitoring any material risks relating to sanctions laws.

U.S. Tariffs Risks

The global trade landscape is currently highly fluctuating. In particular, the United States announced broad tariffs on imports from all countries. During the Track Record Period, we have exported inverters, energy storage batteries, dehumidifiers and solar air conditioners into the United States. Exports to the United States have accounted for 2.52%, 3.49%, 3.54%, and 1.74% of our total revenue in 2023, 2024, 2025 and the period before April 30, 2026, respectively.

The U.S. tariffs applied on these products exported from Chinese mainland are as follows respectively:

Year	Tariffs related to fentanyl rate (Feb 1, 2025–Feb 24, 2026)	Reciprocal tariffs rate (Apr 2, 2025–Feb 24, 2026)	301 duty rate ⁽¹⁾	Section 122 tariff rate (Feb 24, 2026–Jul 24, 2026)	Section 232 tariff rate (April 6, 2026)
2023	N/A	N/A	25%/7.5%	N/A	N/A
2024	N/A	N/A	25%/7.5%	N/A	N/A
2025	10%	10% ⁽²⁾	25%/7.5%	N/A	N/A/50% ⁽²⁾
2026	N/A	N/A	25%	10%/0% ⁽³⁾	0%/25% ⁽³⁾

Note:

- (1) 25% tariff applies to our inverter products and 7.5% tariff applies to our energy storage batteries from 2023 to 2025.
- (2) In 2025, 10% reciprocal tariffs rate only apply to the value of the solar air conditioner product excluding the value of the contained iron, steel, aluminum, and copper, and the 50% Section 232 tariff only apply to the value of the contained iron, steel, aluminum, and copper in the solar air conditioner products.
- (3) For solar air conditioner products, in 2026, for products contains less than 15% of iron, steel, aluminum and copper, the 10% Section 122 tariff rate and 0% Section 232 tariff apply; for products contains more than 15% of iron, steel, aluminum and copper, the 0% Section 122 tariff rate and 25% Section 232 tariff apply.

However, tariffs related to fentanyl (10%) and reciprocal tariffs (10%) have been terminated in February 2026. Despite our intended use of proceeds to conduct R&D activities for products partially targeting American market, as advised by our International Sanctions Legal Advisor, the total additional U.S. tariffs imposed on our exported inverter, rechargeable lithium-ion battery system, and dehumidifier products are 35%, and those applicable to solar air conditioner products in 2026 are 35% or 50%, depending on the iron, steel, aluminum and copper contained. However, the tariffs incurred on products exported to the U.S. were borne by the U.S. importers and eventually passed to the U.S. customers, and thus we did not primarily bear the tariff costs. Furthermore, our export volume has not changed significantly due to tariff fluctuations. Therefore, our Directors are of the view that the evolving U.S. tariffs have not had, and will not have any material adverse impact, directly or indirectly, on our business operations and financial performances. In addition, we have very little reliance on the U.S. market. Our diversity in our international markets has mitigated the impact of fluctuating U.S. tariffs.

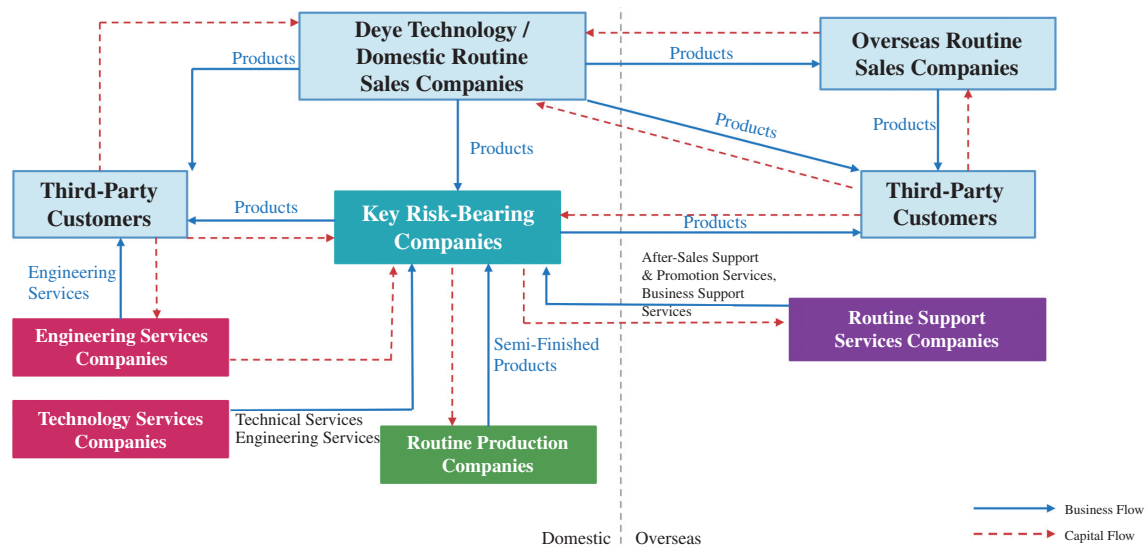
BUSINESS

Based on the due diligence work performed by the Joint Sponsors and taking into account the abovementioned views of our International Sanctions Legal Advisor, nothing material has come to the attention of the Joint Sponsors that contradicts the Directors’ view disclosed above.

TRANSFER PRICING ARRANGEMENTS

Our Company and our subsidiaries conduct intra-group transactions in accordance with our transfer pricing policy. During the Track Record Period, our intra-group cross-border transactions primarily included: (i) sales of products, mainly including PV inverters, energy storage batteries and environment management appliances, by our PRC subsidiaries to our overseas subsidiaries; (ii) provision of services, mainly including sales and marketing and after-sale services and business support services, by our overseas subsidiaries to our Company and our PRC subsidiaries.

The below sets forth the transaction flow and fund flow in respect of the intra-group cross-border transactions:



The following table sets out the nature and amount of our intra-group cross-border transactions and as a percentage of our total intra-group transactions during the Track Record Period:

Type of transaction	2023		Year ended December 31, 2024		2025		Four Months Ended April 30, 2026	
	Amount	% of total intra-group transactions	Amount	% of total intra-group transactions	Amount	% of total intra-group transactions	Amount	% of total intra-group transactions
(RMB in thousands, except for percentage)								
Sales and purchases of goods	21,035	1.14%	790,394	7.55%	1,926,125	13.99%	2,521,052	26.99%
Services	2,194	0.12%	19,491	0.19%	36,109	0.26%	10,476	0.11%
Total	23,229	1.26%	809,885	7.74%	1,962,234	14.25%	2,531,528	27.10%

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For intra-group cross-border sales and purchases of goods transactions, our overseas distribution subsidiaries in Singapore, Australia and South Africa purchase products from our domestic subsidiaries and sell such products to third-party customers in their respective markets. The pricing policy is based on our selling price to third parties, with the overseas subsidiaries retaining a certain level of profit.

For intra-group cross-border service transactions, our overseas subsidiaries in the U.S. and Hong Kong provide after-sales support, promotional services and business support services to domestic subsidiaries. The pricing policy for related-party services is determined by applying a certain level of profit markup to the costs and expenses incurred in providing such services.

In determining the pricing of our intra-group cross-border transactions, we take into account the function and risk profiles of the respective group entities in order to ensure the arm’s length nature of these transactions and compliance with transfer pricing laws and regulations of the jurisdictions in which such transactions are consummated. Each entity involved in such intra-group cross-border transactions is generally compensated in a manner which is in line with its respective economic values and contribution.

The OECD, an international organization of international cooperation, promulgated the OECD Transfer Pricing Guidelines, which are generally followed by the relevant tax jurisdictions involved in the intra-group transactions. According to the OECD Transfer Pricing Guidelines, the intra-group transactions should be at arm’s length basis to avoid distorted taxable income in different jurisdictions. In this regard, we have engaged a professional tax consultancy firm in the PRC (the “**Transfer Pricing Advisor**”) to review, analyze, and evaluate potential risks in accordance with the OECD Transfer Pricing Guideline and applicable laws and regulations. After assessing our transfer pricing arrangements during the Track Record Period, our Directors are of the view, based on the advice provided by our Transfer Pricing Advisor, these transfer pricing arrangements were, in all material respects, broadly consistent with the arm’s length principle under both the OECD Transfer Pricing Guidelines and the relevant local transfer pricing laws and regulations in the applicable jurisdictions.

According to the functional and risk analysis performed by the Transfer Pricing Consultant, Transactional Net Margin Method (“**TNMM**”) is selected to assess whether the transfer pricing arrangements related to the intra-Group cross-border transactions were consistent with the arm’s length principle.

During the Track Record Period and up to the Latest Practicable Date, we had not been made aware of any inquiries, audits, investigations, or challenges by the relevant tax authorities in the jurisdictions in which we operated with respect to our intra-group transactions.

Our Directors confirm that in ensuring ongoing compliance with the applicable transfer pricing laws and regulations, we plan to take the following measures:

- review and monitor the transfer pricing arrangements from time to time to ensure our transfer pricing arrangements are in line with the arm’s length principle;
- provide training to teams responsible for such transactions, keeping them informed of transfer pricing laws and regulations in different jurisdictions; and
- continue to monitor the profitability of our subsidiaries and controlled affiliated entities and adjust pricing arrangements as appropriate.

See “Risk Factors – Risks Relating to Our Business and Our Industry – We are exposed to risks associated with our global presence and will continue to be subject to such risks when we further expand our business overseas.”

BUSINESS

RISK MANAGEMENT AND INTERNAL CONTROL

It is the responsibility of our Board to ensure that we maintain sound and effective internal controls and risk management system to safeguard our shareholders’ investment and our assets. We maintain internal manuals which set out operating procedures, internal control procedures and other policies and guidelines. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, including financial reporting, IT, compliance, intellectual property, human resources and investment management.

Our Board of Directors are responsible for the establishment, updating and implementation of our internal control policies and systems, while our management team monitors the daily implementation of the internal control procedures and measures with respect to our functional teams. Our Directors are of the view that our current internal control measures are adequate and effective to ensure compliance with relevant laws and regulations.

Operational Risk Management

Operational risk refers to the risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures or external events. We have established a series of internal procedures to mitigate such risks. We take a comprehensive approach with regard to operational risk management, and we have implemented a mechanism with detailed and decentralized responsibilities and clear rewards and punishment systems. Our IT, human resources, finance and operations departments are collectively responsible to ensure the compliance of our operations with internal procedures. In the event of a major adverse event, the matter will be escalated to our legal department to take appropriate measures. Through effective operational risk management, we expect to control operational risks within a reasonable range by identifying, measuring, monitoring and containing operational risks to reduce potential losses.

Human Resources Risk Management

We provide regular and specialized training tailored to the needs of our employees in different departments. These trainings enable our staff to improve their skills and better address our customers’ needs. We have in place an employee handbook approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practices, work ethics, fraud prevention mechanisms, negligence and corruption.

Financial Reporting and Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial report management policies, treasury management policies, and reimbursement management policies. We have various procedures in place to implement accounting policies, and our financial department reviews our management accounts based on such procedures.

Credit Risk Management

We seek to maintain strict control over our outstanding receivables and have implemented a policy to minimize credit risk. We maintain regular communication with our customers, address potential payment issues proactively, and conduct detailed risk assessments. Our finance department conducts regular reviews of overdue accounts and recoverability of our outstanding balances, prioritizing high-value or long-overdue balances, and when appropriate, provides for impairment of these trade receivables. Our sales department is responsible for collecting outstanding receivables, particularly following up on any overdue accounts. For significantly overdue accounts with no resolution, we escalate to legal proceedings.

BUSINESS

Audit Committee Experience and Qualification and Board Oversight

To monitor the ongoing implementation of our risk management policies, we have established an Audit Committee to review and supervise our financial reporting process and internal control system on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. See “Directors and Senior Management – Management and Corporate Governance – Board Committees – Audit Committee.” We have also established an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting issues identified and improving our internal control system and procedures by identifying internal control failures and weaknesses on an ongoing basis. The internal audit department reports any major issues identified to the Audit Committee and Board of Directors on a timely basis.