

RISK FACTORS

You should carefully consider all of the information in this document, including the following risk factors before making any investment decision in relation to the H Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The market price of the H Shares could fall significantly due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition, and results of operations. You should seek professional advice from relevant advisors regarding your prospective investment in the context of your particular circumstances.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given will not be updated after the date hereof and is subject to the cautionary statements in the section titled "Forward-Looking Statements" in this document.

Risks Relating to Our Business and Industry

Fluctuations in demand in the downstream markets of our battery products may materially and adversely affect our business, results of operations and financial condition.

The sales performance of our batteries depends significantly upon the performance of the downstream markets of the end products in which our batteries are installed. Our batteries are used across a wide range of applications, including wearable devices, personal smart medical devices, smart educational and entertainment devices, portable energy storage battery packs and others. We sell our battery products to renowned industry players in the aforementioned downstream markets. If such downstream markets do not grow and develop as we anticipate, or our customers fail to market and sell their products as they anticipate for reasons out of our control, including but not limited to the macroeconomic environment, changes in end-customer or end-user preferences, cost efficiency and emerging new technologies, we may be unable to sustain or grow the sales of our solutions. Any downturn in such market demand may cause a decrease in our sales and force us to lower pricing to maintain our market position and market share, thereby materially and adversely affecting our business, results of operations and financial condition.

In particular, revenue derived from wearable devices accounted for 76.5%, 78.4%, 75.5% and 67.4% in 2023, 2024, 2025 and the six months ended June 30, 2026. We expect that revenue derived from wearable devices will continue to account for a meaningful portion of our revenue in the future. Any factors adversely affecting the demand for our batteries in this area could cause our business to suffer and adversely affect our business, financial condition and results of operations. The wearable devices market is also subject to rapid technological change. In order to compete successfully, we will have to correctly estimate customer demand for technological improvements and be able to deliver such solutions on a timely basis at competitive prices. If we fail to do so, our business, financial condition and results of operations could be materially and adversely affected.

In addition, our business and financial condition may be adversely affected if certain new downstream markets do not emerge or develop as expected. As our batteries begin to be adopted in markets such as drones and robotics, the challenges and risks that we face could increase and could be similar to some of the challenges and risks that we face in the wearable devices market. If our sales to these markets do not increase and/or these markets do not grow as expected, our business, financial condition, results of operations and prospects could be materially and adversely affected.

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Inadequate supply of materials and equipment for our production could adversely affect our business, financial condition and results of operations.

We currently purchase raw materials from third parties. We cannot guarantee that our strategic arrangements with major suppliers will always lead to stable supply of sufficient quantity of our key raw materials. Our suppliers may also be unable to satisfy our quality standards. If our current suppliers are unable to satisfy our demand for raw materials on a timely basis, we may be required to seek alternative sources for necessary raw materials or make other adjustment measures. If we fail to do so, or incur excessive costs in doing so, our manufacturing process will be significantly delayed, and we may be unable to timely deliver our products, which may result in decline in demand for our products and damage to our overall reputation. Our business, results of operations and financial condition may therefore be materially adversely affected.

We also purchase various equipment used in our production. To ensure the quality of our products, we purchase from reputable suppliers to ensure a secure, cost-efficient and timely supply of critical equipment. If our suppliers fail to meet our requirements, our business and results of operations may be affected.

We may not be able to derive the desired benefits from our research and development efforts, which may negatively affect our competitiveness and profitability, and lead to a decrease in the demand for our products.

Our research and development costs were RMB38.1 million, RMB54.3 million, RMB93.5 million and RMB47.9 million, respectively, representing approximately 10.8%, 10.2%, 16.5% and 14.2% of our revenue in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. The battery sector is undergoing rapid development, and technological innovations continue to emerge. We cannot guarantee that we will be able to timely adapt our research and development focus to technological and industry trends, successfully launch and commercialize new products, or complete our research and development goals within the anticipated time and budget. Meanwhile, some of our competitors are seeking to enhance traditional battery technologies, and some are conducting research and development on new or alternative battery technologies. One or more new, higher energy small-size rechargeable battery technologies could be introduced which could be directly competitive with, or superior to, our technology. If our competitors develop new technologies that we fail to keep up with, such technologies may confer performance or cost advantages on them, potentially eroding our established technological entry barriers and competitive advantages. If any of these events occurs, our business, results of operations and financial condition could be materially and adversely affected.

However, as research and development activities are inherently uncertain, we cannot assure you that our research and development projects will be successful or be completed within the anticipated time frame and budget, or that our newly developed products will achieve wide market acceptance or enjoy the advantages as we expected. The battery industry is characterized by rapid technological changes and evolving industry standards, which are difficult to predict. This, together with the frequent introduction of new technologies, battery products and models, has shortened battery product life cycles and may render our products obsolete or less marketable. If we fail to keep up with the latest technological development and industry trends, we may suffer a decline in demand for our products and our competitive position. Even if such products can be successfully launched, we cannot assure you that they will be accepted by our customers or in turn, end-customers and achieve anticipated sales target or profit.

The mini-size battery industry is competitive. Our failure to successfully compete could materially and adversely affect our market position and market share.

The global consumer mini-size battery industry is highly competitive, and competition may become even more intense in the future. Our existing competitors may

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seek to increase their market shares through various measures, such as continued research and development efforts, increased production capacity, optimized production process and active marketing campaigns. Our competitors may also have greater financial resources than us. We expect to face competition from both existing and new competitors as we expand into new geographical markets and launch new products. These competitors may be able to respond more rapidly to new or emerging technologies and changes in customer or end-customer requirements or devote greater resources to the development, promotion and sale of their products than we can. Our competitors may also enter our existing or future markets with solutions that may be less expensive, provide higher performance or additional features or be introduced earlier than our solutions. Even if there is sufficient downstream demand for our products, there is no guarantee that we will always succeed in competing with other market players for orders from customers or end-customers. If we fail to compete effectively, we may not be able to retain or expand our market share, which would have a material adverse effect on our business, results of operations and financial condition.

Our future success depends on the timely development, introduction, marketing and selling of new battery products and technologies, which we might not be able to achieve. The development of new and more complex products and technologies can also increase our research and development expenses and cost of sales, and adversely affect our overall profitability.

Our competitiveness and future success depend on our ability to predict and adapt to the rapidly evolving market demand and to develop, introduce, market and sell our new products and technologies in a timely and cost-effective manner. Any failure to introduce these new products and technologies, to achieve design wins, or to otherwise achieve market acceptance in a timely manner and on commercially reasonable terms could harm our business, financial condition and results of operations.

Successful product development and technological enhancements depends on a number of factors, including:

- accurate identification of market requirements and evolving technical standards;
- development of advanced technologies and capabilities;
- timely completion of development and introduction of new products that satisfy our customers' or the end-customers' requirements and specifications;
- development of products that maintain technological advantages over the products of our competitors; and
- market acceptance of our new products.

Achieving these factors is inherently difficult, time consuming and costly. The substantial capital and resources required for research and development may significantly increase our operating expenses. We may be unable to develop new products or technological enhancements in time to capture market opportunities, satisfy the requirements and specifications of our customers or end-customers, or achieve significant or sustainable acceptance in new and existing markets. If our competitors develop new products or technologies on a more expedited basis than us or are successful in developing products that are accepted more rapidly and broadly by the market than our products, we could lose market share. Matching or surpassing technological advances that may be developed by our competitors could require a prolonged period of time. In addition, our products could become obsolete sooner than anticipated due to a rapid change in one or more of the technologies related to our products or the reduced life cycles of consumer and industrial products.

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If we are unable to retain existing customers and attract new customers, our business, financial condition and results of operations will be adversely affected.

We cannot guarantee the retention of our existing customers or attract new customers as we did during the Track Record Period, or at all. Our ability to retain existing customers and attract new customers depend on a number of factors, including our ability to attract and forge relationships with end-customers, our ability to develop new and innovative products, our ability to offer competitive pricing, and our ability to maintain good business relationships with our customers or end-customers. Furthermore, customers may find defects or other performance related issues in our products, which could harm our reputation and may damage our customers' businesses. If we fail to retain our existing customers or attract new customers in the future, our business, financial conditions and results of operations will be adversely affected.

In addition, our success has been, and will continue to be, dependent upon customers incorporating our mini-size battery products into their products in accordance with end-customer requirements. To achieve design wins with end-customers, we must identify and deliver cost effective and innovative mini-size battery product solutions on a timely basis that satisfy the end-customers' requirements and specifications. Even if our products meet the end-customers' requirements and specifications, we may not eventually succeed in achieving a particular design win due to factors out of our control, such as end-customers' pre-existing relationship with a particular supplier or other business considerations. If we do not secure a design win with a prospective end-customer, it may be difficult to market our products to such end-customer in the future.

In addition, the selection process for mini-size batteries to be included in our end-customers' product offerings is typically lengthy and may require us to incur significant design and research and development expenditures and dedicate scarce engineering resources in pursuit of a single design win with no assurance that our products will be selected. Due to our extended product life cycles, our revenue in future years is highly dependent on the design wins we secure in prior years/periods. It is possible that a design win will not result in meaningful revenue until one year or above, or at all. If we do not continue to achieve design wins, our revenue in the following years may deteriorate. As a result, the loss of any key design win or any significant delay in the production of the end-customer's products into which our product is designed could adversely affect our business, financial condition and results of operations.

A large portion of our revenue has been derived from a small number of customers. The loss of, or significant reduction in the purchases by, one or more of such customers could materially and adversely affect our business, financial condition and results of operations.

Historically, our top five customers in each year/period accounted for a large portion of our revenue. In 2023, 2024, 2025 and the six months ended June 30, 2026, approximately 51.7%, 45.4%, 44.1% and 43.3%, respectively, of our revenue came from sales to our top five customers in the respective year/period. Any material delay, alteration, cancelation or reduction of purchase orders from or change in the purchasing patterns of such customers, which may in turn be attributable to changes in their respective customers' demand and purchasing patterns, could have a material and adverse impact on our business, financial condition and results of operations.

Our business, financial condition, results of operations and prospects will be affected by our ability to retain our existing customers and to attract new customers, as well as on the financial condition and success of our customers, including their ability to retain their respective customers and attract new customers. Furthermore, our major customers may have a certain degree of bargaining power and leverage when negotiating contractual arrangements with us. Such customers have and may continue to seek

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advantageous pricing and other commercial terms and may require us, from time to time, to develop additional features in the products we sell to them. As a result, we may have to reduce the average selling price or incur increased average cost of our products, which may have a negative impact on our gross margin. If we are unable to retain one or more of our major customers, or if we are unable to maintain our current level of revenue and gross profits from such customers, our business, financial condition and results of operations could be impaired.

Our success depends on our ability to protect our intellectual property rights. Intellectual property infringement by and disputes with third parties may adversely affect our business, financial condition and results of operations.

We regard our patents, know-how, self-developed technologies, trademarks, copyrights, domain name and other intellectual properties as critical to our business development and operations. As of the Latest Practicable Date, we owned 445 patents, nine trademarks, seven software copyrights, and two copyrights in China, as well as two overseas domain names. We rely on both intellectual property laws and contractual arrangements, and take a series of measures to protect our intellectual properties. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages as we expected. In addition, there can be no assurance that our patent applications will be approved, that any issued patents will adequately protect our intellectual property, or that such patents will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable. Furthermore, we may not have sufficient intellectual property rights in all countries and regions due to lack of comprehensive intellectual property laws in certain regions, and our ability to protect our intellectual property rights differs by jurisdiction.

We may be a party to claims and litigation as a result of infringement by third parties of our intellectual property rights. Even when we sue the parties for such infringement, such lawsuits may have adverse consequences for our business. Any of such lawsuits may be time-consuming and costly to resolve and may divert our management's time and attention from our business. It could also result in a court or governmental agency invalidating, narrowing the scope of, or rendering our patents or other intellectual property rights involved in such lawsuits unenforceable which may significantly harm our business. Our products may infringe issued patents of third parties. If any of our products infringe a valid and enforceable patent, we may be prevented from selling, or choose to cease the sales of related products.

For details of the historical patent proceedings involving VARTA Microbattery GmbH and the measures implemented by us to manage intellectual property risks, see "Business — Legal Proceedings and Compliance — Resolution of Historical Patent Proceedings involving VARTA" and "Business — Intellectual Property."

Additionally, we may face liabilities to our customers, business partners or third parties for indemnification or other remedies in the event that they are sued for infringement in connection with their use of our products. We carefully select suppliers and adopt relevant management policies. However, there can be no assurance that such measures will be sufficient to prevent suppliers from providing products with potential intellectual property issues, nor can we guarantee that we will be able to recover all damages or compensation from suppliers in respect of claims by third parties against us for such products or intellectual property infringement. In addition, we have also pledged certain patents as security for certain borrowings from commercial banks. Should we default on our obligations thereunder, we could lose the rights to such patents. If any of these events occur, our reputation could be damaged, and our business, financial condition and results of operations may be adversely affected.

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We may not be able to increase our production capacity as planned, and even if our production expansion projects proceed as planned, we may not be able to increase our production output in a timely manner or at all as envisaged.

During the Track Record Period, we established our Vietnam production base and as of the Latest Practicable Date, we have new production facilities under construction at our Jiangxi production base and Huizhou production base. We intend to further expand our production capacity to meet the anticipated customer demand for our products. Our expansion plans have involved, and are expected to continue to involve, significant capital deployment. Our property, plant and equipment increased from RMB182.9 million as of December 31, 2023 to RMB269.6 million as of December 31, 2024, further to RMB332.3 million as of December 31, 2025 and further to RMB350.5 million as of June 30, 2026. In addition, our capital commitments were RMB65.0 million, RMB106.7 million, RMB106.5 million and RMB132.1 million as of December 31, 2023, 2024, 2025 and June 30, 2026, respectively. If our expansion projects are delayed, fail to achieve expected ramp-up or utilization, or do not generate expected returns, the financial impact on our business, cash flows and results of operations could be material. Specifically, if our production capacity is insufficient to meet customer demand, or if we are unable to increase our production capacity in a timely manner, we may be unable to fulfil customer orders or satisfy customers' delivery requirements, which may cause our customers to reduce or cancel orders, procure products from our competitors or cease doing business with us, thereby adversely affecting our ability to retain existing customers and maintain or increase our market share.

Such expansion will also impose significant responsibilities on our senior management and require significant commitment of our resources, including financial resources and the time and effort needed to identify, recruit, maintain, and integrate additional employees. Our proposed expansion will also expose us to greater overhead and support costs as well as other risks associated with the manufacture and commercialization of new products. Difficulties in effectively managing the budgeting, financing, forecasting and other process control issues presented by such expansion could negatively affect our business, prospects, results of operations and financial condition.

We face risks associated with our overseas manufacturing and operations. If we are unable to manage our overseas operations, we may experience disruptions to our production and supply chain.

The overseas operations and continued expansion expose us to a number of risks, including, but not limited to:

- political and economic instabilities, including changes in government policies or regulations affecting foreign investments, economic fluctuations and currency volatility, geopolitical tensions, export requirements, trade sanctions or conflicts impacting business operations;
- inability to the requisite governmental approvals, permits, licenses, authorizations and certificates due to regulatory uncertainty;
- the adverse effects of trade barriers, tariffs, duties, price controls, embargos or other restrictions that impair trade;
- laws and regulations over tax, foreign currency conversion and on the remittance of currencies into and out of the jurisdictions where we operate, which may affect our ability to remit dividends or utilize revenue;
- potential differences in environmental, construction and other standards between overseas and Chinese Mainland; and
- lack of familiarity with local operating and market conditions.

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Our success depends, in part, on our ability to manage these risks. The foregoing risks vary by jurisdiction and are difficult to predict. We may not be able to develop and implement initiatives that address these risks effectively in each region in which we operate, and there can be no assurance that risks we may face as we expand our overseas manufacturing and operations will not adversely affect our reputation, business, results of operations, financial condition and the [REDACTED] from the [REDACTED].

We face risks associated with the international sales of our products, such as the current tensions in international trade and rising political tensions. If we are unable to effectively manage these risks, our business and financial condition and results of operations may be materially and adversely affected.

Our business and sales overseas are affected by the current international trade tensions and global economic conditions, such as economic sanctions, export or import controls against certain countries or regions or against targeted industry sectors, groups of companies or persons, and/or organizations. Furthermore, the uncertainty in global economic conditions could result in substantial volatility in global credit markets. These conditions may reduce prices that our customers may be able or willing to pay for our products or lead to a decrease in the demand for our products, which could in turn negatively impact our sales and result in a material adverse effect on our business, results of operations and financial condition.

We are required to obtain and maintain various approvals, licenses, certificates and permits or to complete relevant assessments, acceptance processes and filing procedures to operate our business and the loss or failure to obtain or renew any or all of these approvals, licenses, certificates and permits or failure to conduct such assessment, acceptance process and filing procedures could materially and adversely affect our results of operations and business prospects.

We primarily operate our business in China. In accordance with the laws and regulations of the PRC, we are required to obtain and maintain various approvals, licenses, certificates and permits and to complete assessment, acceptance process and filing procedures to operate our business in the PRC. These approvals, licenses and permits are granted or renewed upon satisfactory compliance with, among other things, certain conditions in the applicable laws and regulations. They are also subject to examinations or verifications by relevant authorities and some of them are valid only for a fixed period subject to renewal and accreditation. We may experience difficulties, delays or failures in obtaining or maintaining the necessary approvals, licenses, certificates and permits, or completing assessment and acceptance process and filing procedures.

We also operate a production base in Vietnam and are therefore also subject to Vietnam laws and regulations requiring us to obtain, maintain and renew relevant approvals, licenses, certificates and permits and to complete relevant assessments, acceptance processes and filing procedures. Any failure to do so, or any changes in regulatory requirements or enforcement in Vietnam, could result in fines, rectification orders, suspension of operations or other administrative measures, and may materially and adversely affect our business, financial condition, results of operations and business prospects. Prior to obtaining the required environmental permit, we conducted activities at our Vietnam production base in the absence of such permit. We have since obtained the environmental permit on May 19, 2026.

In addition, there can be no assurance that we will be able to renew all of the approvals, licenses and permits or complete assessment, acceptance process and filing procedures required for existing business operations promptly or at all. According to relevant laws and regulations, for projects that commence production before obtaining such approvals, licenses, certificates and permits or completing assessment or acceptance process or filing procedures, we may be subject to administrative penalties such as fines, rectification within a specific period and suspension or close down of the construction or

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projects. If any of these occurs, our ongoing business, financial condition and our expansion plan may be adversely affected.

We face risks associated with quality of our products. Potential defects in our products may cause us to incur significant additional expenses and costs, result in product recalls, tarnish our reputation, expose us to product liability claims and cause our sales and market share to decline.

Batteries carry energy and are crucial to the performance and safety of devices in which they are installed. Our mini-size batteries are widely adopted in wearable devices and personal smart medical devices, which come into direct contact with the human bodies. Hence, product quality is of significant importance. Our quality management and risk control systems span across the entire product life cycle, including product design, procurement, production, sales, usage and maintenance. We did not experience any major product quality or safety issues during the Track Record Period. However, given the complexity of quality control processes and the challenges inherent in managing them, and in light of the relatively long life cycles of our products, we cannot assure you that our products are, or will remain, free from quality issues.

Our sales contracts normally require our customers to conduct inspection upon receipt. We also provide after-sales warranty for a period based on either number of charge cycles or years of usage. During the warranty period, we will provide repair, maintenance or replacement for products with quality problems, subject to terms and regulations on the use and testing of the products. If we experience a significant increase in product return incidents and/or warranty claims we may incur significant repair and replacement costs associated with such claims. Further, damage to the devices in which our products are installed or personal injuries arising from failure of products may subject us to lawsuits. This could have a material adverse effect on our business, financial condition and results of operations.

Failure to maintain optimal inventory levels could increase our inventory holding costs and cause us to lose sales.

Determining the appropriate inventory levels requires estimates and judgment based on, among other things, demand trends, production lead times, fluctuations in raw material prices and experience. However, such assessments are inherently uncertain. Demand could change significantly between the order date and the projected delivery date, and we cannot assure you that we will always be able to maintain optimal inventory levels.

If we fail to accurately assess the demand, we may experience inventory obsolescence and inventory shortage risk. Inventory levels in excess of demand, or substantial decrease in the expected market price of our products, may result in inventory write-downs and we may sell the excess inventory at discounted prices, which would have an adverse effect on our profitability. Our inventory and other contract cost turnover days remained relatively stable at 73.4 days, 61.1 days, 68.6 days and 75.7 days in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively.

Our inventories and other contract costs increased from RMB53.4 million as of December 31, 2023 to RMB62.7 million as of December 31, 2024, further to RMB81.8 million as of December 31, 2025 and further to RMB107.9 million as of June 30, 2026, among which raw materials increased from RMB7.8 million as of December 31, 2023 to RMB8.2 million as of December 31, 2024, further to RMB20.2 million as of December 31, 2025 and further to RMB29.4 million as of June 30, 2026. If raw material prices decline materially after we have procured and stocked up raw materials, or if the expected market price of our products declines, we may be required to recognize inventory write-downs or sell products manufactured from such inventory at lower margins, which could adversely affect our profitability and results of operations.

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Furthermore, if we underestimate the demand for our products, we may not be able to produce a sufficient number of products to meet such unanticipated demand, which could result in delays in the delivery of our products and negatively affect our reputation. Any of the above may materially and adversely affect our business, results of operations and financial condition.

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

During the Track Record Period, we did not experience any material safety-related or occupational accidents. Nevertheless, there is no assurance that our safety measures and procedures are strictly followed by our employees. As our manufacturing process is complicated and inevitably involves operation of tools, equipment and machinery and use of chemical materials, accidents resulting in employee injuries or even deaths may occur. In addition, our existing manufacturing protocols may not be sufficient to prevent all types of malfunctioning or above accidents, some of which may have never arisen and may not have been foreseen when the current protocols are created. Such accidents may result in disruption of our operation and subject us to liabilities, and we may not have sufficient insurance to cover such liabilities, which may adversely affect our business, results of operations and financial condition.

Any failure to maintain an effective quality management system may materially and adversely affect our business, reputation, financial condition and results of operations.

The effectiveness of our quality management system depends on a number of factors, including supplier selection, raw material testing, the design of the production process, in-process testing, the equipment used, inventory testing, after-sales tracking and monitoring and our ability to ensure that our employees adhere to our quality management policies and guidelines. We are required to comply with specific guidelines based on applicable laws and regulations relating to product safety and handling of restricted and hazardous materials. Our safety standards for the inspection of our products are also based on relevant national and industry standards. We cannot assure you that our quality management system will continue to be effective or in compliance with relevant laws, regulations and standards. See "Business — Our Quality Control System." Any significant failure in or deterioration of the efficacy of our quality management system could result in us losing accreditations and requisite certifications or qualifications, which could in turn have a material adverse effect on our business, financial condition and results of operations.

Our profitability may be materially and adversely affected if we are forced to lower the selling prices of our products.

During the Track Record Period, 76.5%, 78.4%, 75.5% and 67.4% of our revenue was derived from wearable devices in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. We expect that revenue derived from wearable devices market will continue to comprise a significant portion of our revenue in the near future. Accordingly, any decrease in the demand for our products in wearable devices market resulting from success of competing products, slower than expected growth of sales in the wearable devices market or other adverse developments may materially and adversely affect our business and cause our overall revenue to decline.

During the Track Record Period, the average selling price of batteries used in wearable devices, our largest application scenario, decreased from RMB4.6 per unit in 2023 to RMB4.2 per unit in 2024, further to RMB3.7 per unit in 2025 and increased to RMB4.3 per unit in the six months ended June 30, 2026, while the unit cost of such products decreased from RMB3.3 per unit in 2023 to RMB2.8 per unit in 2024, RMB2.7 per unit in 2025 and increased to RMB3.3 per unit in the six months ended June 30, 2026. Our

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gross margin for products used in wearable devices increased from 28.3% in 2023 to 32.6% in 2024, decreased to 27.0% in 2025 and decreased to 23.7% in the six months ended June 30, 2026. If we are required to reduce selling prices to maintain market share or respond to customer requirements, while our raw material prices, labor costs, manufacturing costs or other cost components remain stable or increase, our gross margin and profitability may be adversely affected.

In addition, we may be forced to adjust the prices of our products in accordance with general market conditions and fluctuations in raw material prices. We cannot assure that we will not experience any material and adverse effect on our financial results if we lower the prices of our products in future if the related costs do not also decline or if we cannot make up for the decreased pricing by increasing sales volume. Any potential decrease in the selling prices of our products in the future, including in response to changes in raw material prices, increased market competition or general economic conditions, may have a material adverse impact on our business, financial condition, results of operations and prospects.

We may require additional financing to support our further developments or adapt to changes in business conditions, but we may not be able to obtain additional financing on favorable terms or at all.

We may require additional financing if we incur operating losses or for future growth and development of our business, including any investments or acquisitions we may decide to pursue. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows, share price performance, liquidity of international capital and lending markets and PRC regulations over foreign investment and the PRC logistics industry. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financing covenants that would restrict our operations. Our funding requirements are driven in part by our working capital position, indebtedness and capital expenditure commitments. We recorded net current liabilities of RMB213.2 million and RMB158.9 million as of December 31, 2023 and 2024, respectively, and net current assets of RMB264.3 million and RMB293.2 million as of December 31, 2025 and June 30, 2026, respectively. As of June 30, 2026, we had cash and cash equivalents of RMB271.2 million, bank loans of RMB64.0 million, and capital commitments of RMB132.1 million. There can be no assurance that additional financing would be available in a timely manner or in amounts or on terms favorable to us, or at all. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing shareholders.

Our strategic acquisitions or investments may not be successful, and we may not realize anticipated strategic benefits and financial returns from such transactions.

Investments or acquisitions involve numerous risks, including potential failure to achieve the expected benefits of the integration or acquisition; difficulties in, and the cost of, integrating operations, technologies and personnel, potential write-offs of acquired assets or investments; and downward effect on our operating results. These transactions will also divert the management's time and resources from our normal course of operations, and we may have to incur unexpected liabilities or expenses. In addition, if we do not successfully execute or effectively operate, integrate, leverage and grow acquired businesses, our financial results and reputation may suffer. There can be no assurance that we will realize our expectations within the time frame we envisage, if at all, or that we can continue to support the value we allocate to these acquired businesses, including their goodwill or other intangible assets.

Our business, financial condition and results of operations could be adversely affected if we experience any negative publicity that results in severe damage to our reputation.

We believe that our corporate reputation plays an increasingly important role in enhancing our competitiveness in the mini-size battery industry and maintaining our

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business growth. Our ability to manage our corporate reputation depends on whether we could consistently provide safe and high performance battery products to our customers, conduct marketing activities, and manage complaints and events of negative publicity, and maintain positive perception of us. Furthermore, many other factors, some of which are beyond our control, may negatively impact our corporate reputation if not properly managed. Product quality issues, actual or perceived, even when false or unfounded, could tarnish the image of our brand and may cause customers to use other companies. Given our specialized industry and market, negative news, publicity and word of mouth could spread quickly and negatively impact our reputation, brand image or relationship with third parties, which could have a material adverse effect on our business and growth prospects.

We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, copyrights or other intellectual property rights held by third parties. We have been, and from time to time in the future may be, subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be other third-party intellectual property that is infringed by our products or services or other aspects of our business. There could also be existing patents of which we are not aware that our products or services may inadvertently infringe. Further, we make limited use of open source software for administration purposes and it is possible that we may face claims over alleged unlicensed or non-compliant usage. As of the Latest Practicable Date, we had accumulated more than 700 intellectual property right applications, including 692 in China, 23 in Europe and the United States and 28 international PCT applications. The breadth of our product development activities and intellectual property portfolio may increase the likelihood of disputes, challenges, enforcement actions or claims across multiple jurisdictions, any of which could result in substantial costs, management distraction and potential restrictions on product commercialization. Such disputes could also affect the returns on our research and development investment. Our research and development costs were RMB38.1 million, RMB54.3 million, RMB93.5 million and RMB47.9 million in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. If we are required to discontinue, redesign, delay or license technologies relating to products under development or commercialization, the commercial returns on such expenditures could be materially reduced.

We cannot assure you that holders of patents purportedly relating to some aspects of our technology platform or business, if any such holders exist, would not seek to enforce such patents against us in China, the United States or any other jurisdictions. Further, the application and interpretation of patent laws and the procedures and standards for granting patents are still evolving and are uncertain, and we cannot assure you that courts or regulatory authorities would agree with our analysis. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management's time and other resources from our business and operations to defend against these third-party infringement claims, regardless of their merits. Additionally, we may face liabilities to our customers, business partners or third parties for indemnification or other remedies in the event that they are sued for infringement in connection with their use of our products. We carefully select suppliers and adopt relevant management policies. However, there can be no assurance that such measures will be sufficient to prevent suppliers from providing products with potential intellectual property issues, nor can we guarantee that we will be able to recover all damages or compensation from suppliers in respect of claims by third parties against us for such products or intellectual property infringement. In addition, we have also pledged certain patents as security for certain borrowings from commercial

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banks. Should we default on our obligations thereunder, we could lose the rights to such patents. If any of these events occur, our reputation could be damaged, and our business, financial condition and results of operations may be adversely affected.

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

We regard our trademarks, copyrights, patents, domain names, know-how, self-developed technologies, and similar intellectual property (which we have ownership or legal rights to use) as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality, invention assignment and non-compete arrangements with our employees and others, to protect our proprietary rights. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, there can be no assurance that our patent applications will be approved, that any issued patents will adequately protect our intellectual property, or that such patents will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable. Further, because of the rapid pace of technological change in our industry, parts of our business rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties on reasonable terms, or at all. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management's attention may be diverted and we may incur substantial costs and liabilities.

We may from time to time become subject to various litigation, legal or contractual disputes, investigations or administrative proceedings arising in the ordinary course of our business, including various disputes with or claims from our employees, shareholders, suppliers, customers, business partners, competitors, and other third parties that we engage for our business operations. We may be subject to litigation and regulatory proceedings relating to third-party and potential intellectual property infringement claims, contract disputes, employment related cases and other matters in the ordinary course of our business.

As our business expands, including across jurisdictions and through the addition of new businesses, we may encounter a variety of these claims, including those brought against us pursuant to anti-monopoly or unfair competition laws or involving higher amounts of alleged damages. We have acquired and may acquire companies that may become subject to litigation, as well as regulatory proceedings. In addition, in connection with litigation or regulatory proceedings we may be subject to in various jurisdictions, we may be prohibited by laws, regulations or government authorities in one jurisdiction from complying with subpoenas, orders or other requests from courts or regulators of other jurisdictions. Our failure or inability to comply with the subpoenas, orders or requests could subject us to fines, penalties or other legal liability, which could have a material and adverse effect on our reputation, business, results of operations and the market price of our H Shares.

We will need to defend against these lawsuits, including any appeals should our initial defense be successful. As of June 30, 2026, our cash and cash equivalents amounted to RMB271.2 million. The litigation process may utilize a material portion of our cash resources and divert management's attention away from the day-to-day operations of us,

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all of which could harm our business. There can be no assurance that we will prevail in any of these cases, and any adverse outcome of these cases could have a material and adverse effect on our reputation, business, financial condition and results of operations.

We are exposed to risks of changing battery industry policies and new legislations or changes in the regulatory requirements may affect our business operations and prospects.

New legislations or changes in the global regulatory requirements regarding our industry, as well as end markets in which our customers operate may affect our business, financial condition, results of operations and prospects. We may need to change or adapt our business focuses from time to time in response to the new rules and regulations regarding the end markets of our products, but we may also not be able to do so timely and efficiently. As we operate in the PRC and some overseas regions and therefore our business, financial condition, results of operations and prospects may be affected by local economic, social and legal policies. We cannot guarantee that our business operations will be able to benefit from such measures. In addition, laws, rules and regulations may also be amended from time to time, and the application, interpretation and enforcement of such evolving laws, rules and regulations may affect our business operations. Any of the foregoing may have a material and adverse effect on our business, financial condition, results of operations and prospects. For example, PRC authorities may adjust policies applicable to battery products from time to time, including export-related tax treatment (such as export VAT refund rates) and the scope of products covered, which could increase our costs, affect pricing and margins, and impact our export competitiveness and demand for our products.

Our products are used in our customer's production and in turn, in the products of end-customers. New legislations and new regulatory requirements regarding these end markets may affect our business, financial condition, results of operations and prospects. However, these policies are subject to certain limits, and we cannot assure you that any new legislations or regulatory requirements, if any, would be favorable to our business or financial condition. We may need to change or adapt our business focuses from time to time in response to the new rules and regulations regarding the end markets of our products, but we may also not be able to do so timely and efficiently.

The strategic priorities and financial performance of our business are subject to the market and other dynamics related to carbon neutrality and ESG, which can pose risks in addition to opportunities.

There is an increasing focus from certain investors, customers and other parties in society concerning corporate responsibility, specifically related to Environmental, Social, and Governance ("ESG") factors. Accordingly, there is an increased emphasis on corporate responsibility ratings and a number of third parties provide reports on companies in order to measure and assess ESG performance, which pose reputational, regulatory and other risks on us.

To address global climate change challenges, countries and regions worldwide are increasingly emphasizing green and low-carbon, and sustainable development. Revenue generated from Asia (excluding Chinese Mainland) and other overseas markets in aggregate accounted for 28.1%, 25.6%, 28.9% and 36.8% of our total revenue in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. To the extent that customers in these markets adopt more stringent ESG, climate-related, product traceability or sustainability requirements, our compliance costs and customer qualification requirements may increase. Given the nature of our businesses and the industries we serve, we must anticipate and respond to market, technological, regulatory and other changes driven by broader trends related to decarbonization efforts in response to climate change. The process of developing new technology products and enhancing existing products to mitigate climate change is often complex, costly and uncertain.

In addition, the ESG factors by which companies' corporate responsibility practices are assessed may change, which could result in greater expectations of us and cause us to

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undertake costly initiatives to satisfy such new criteria. Alternatively, if we are unable to satisfy such new criteria or we are unable to respond or perceived to be inadequately responding to sustainability concerns, investors may conclude that our policies with respect to corporate responsibility are inadequate and choose to purchase products from a competitor of us. We risk damage to our brand and our reputation in the event that our corporate responsibility procedures or standards do not meet the standards set by various third parties.

Our success depends on the continuing and collaborative efforts of our management team, and our business may be disrupted if we lose their services.

Our success heavily depends upon the continued services of our management. If one or more of our senior management were unable or unwilling to continue in their present positions, we might not be able to replace them easily or at all, and our business, financial condition and results of operations may be materially and adversely affected. If any of our senior management joins a competitor or forms a competing business, we may lose customers, suppliers, know-how and key professionals and staff members. All of our senior management members have entered into employment agreements and confidentiality agreements with us. However, if any dispute arises between our officers and us, we may have to incur substantial costs and expenses in order to enforce such agreements or we may be unable to enforce them at all. We may also incur increased operating expenses and be required to divert the attention of other senior executives away from their original duties to recruiting replacements for key personnel. In addition, we do not have key person insurance for any of our executive officers or other key personnel. Events or activities attributed to our executive officers or other key personnel, and related publicity, whether or not justified, may affect their ability or willingness to continue to serve our company or dedicate their full time and efforts to our company and negatively affect our reputation, resulting in an adverse effect on our business, operating results and financial condition.

Our reliance on non-employee sales and service representatives may expose us to operational and legal risks.

Our overseas sales and service representatives are engaged as independent consultants or agents rather than employees. We may nevertheless be exposed to risks that such consultants or agents could be regarded as employees under the laws of the relevant jurisdictions, which could subject us to additional employment-related obligations in those jurisdictions. Further, We have limited control over the daily work arrangements of such representatives, which may affect the consistency of our sales service quality and customer relationship management. As such representatives act externally on our behalf, their conduct may be binding upon us. In addition, upon termination of the relevant contracts, we may face loss of customer relationships or uncertainty in enforcing non-compete restrictions.

We depend on information technology and other infrastructure that are exposed to certain risks, including cyber security risks.

We rely on our computer systems and network infrastructure to conduct and monitor the daily operations of our manufacturing facilities, and to collect accurate up-to-date financial and operating and other transaction data for business analysis. We also rely on such systems and infrastructure to collect, process and store transactional data concerning our customers, and business partners. Therefore, our business is dependent upon the continued maintenance and enhancement of our computer systems and network infrastructure. Such systems and infrastructure are subject to certain risks, such as malfunction, natural disasters, and also the cyber security risks. Our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that

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may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of customer information, or a denial-of-service or other interruption to our business operations. There is no assurance that we will not be subject to any of those cyber security issues in the future. Any failure to adequately deal with such issues would result in a material and adverse effect on our business and results of operations.

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

Our business is subject to a variety of operational risks, including but not limited to production disruptions due to operational errors, power outages, equipment failures and suspension due to other risks; operational restrictions imposed by environmental or other regulatory requirements; social, political and labor unrest, environmental or industrial accidents, and catastrophic incidents such as fires, earthquakes, explosions, floods or other natural disasters. In addition, as we have overseas production base and operations, we may be exposed to risks related to geopolitical tensions, policy changes and intellectual property and technology protection. These aforementioned risks may result in, including but not limited to, damage to or destruction of production facilities, personal injury or casualties, environmental damage, monetary loss, and legal liability. The occurrence of any of these events may result in disruption of our operations and cause us to suffer substantial losses or incur significant liabilities. During the Track Record Period, we maintain product liability insurance, property insurance, employee insurance and other insurances for our business operations. There is no assurance that our insurance will be adequate to cover our exposure to the foregoing risks. If we incur material losses or liabilities, and insurance is not adequate to cover such losses or liabilities, our business, financial condition and results of operations may be materially and adversely affected.

Our use of some leased properties could be challenged by third parties or government authorities, and failure to renew our current leases or locate desirable alternatives for our facilities may cause interruptions to our business operations.

As of the date of this document, we are not aware of any material claims or actions being contemplated or initiated by government authorities, property owners or any other third parties with respect to our leasehold interests in or use of such properties. However, we cannot assure you that our use of such leased properties will not be challenged. In the event that our use of properties is successfully challenged, we may be forced to relocate the affected operations. In addition, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We can provide no assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from third parties' challenges on our use of such properties. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Non-compliance on the part of our business partners other third parties involved in our business could adversely affect our business.

We are exposed to the risk of non-compliance or improper conduct by our business partners or other third parties. In particular, it is not always possible to identify and deter such misconducts, and the precautions we take to detect and prevent such activities may not be effective in controlling unknown or unmanaged risks or losses, or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. Any actual or alleged illegal or improper activities by our business partners or other third parties who entered into business relationships with us could subject us to liability or negative publicity, whether or not such activities are directly related to us. Such activities and allegations may also negatively affect our brand and reputation, resulting in an adverse effect on our business, financial condition and results of operations.

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If any governmental investigations, lawsuits or other actions are instituted against us as a result of the actual or alleged illegal or improper activities by our business partners or other third parties involved in our business, and we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of significant civil, criminal and administrative penalties, including, without limitation, damages, monetary fines, individual imprisonment, disgorgement of profits, contractual damages, reputational harm, diminished profits and future earnings, which could have a significant impact on our business. Whether or not we are successful in defending against such actions or investigations, we could incur substantial costs, including legal fees and divert the attention of management in defending ourselves against any of these claims or investigations.

Our historical results of operations and financial performance may not be indicative of future growth.

We have experienced significant growth during the Track Record Period. Our total revenue increased by 51.7% from RMB351.2 million in 2023 to RMB532.9 million in 2024, increased by 6.1% to RMB565.3 million in 2025. Our revenue increased by 18.0% from RMB285.9 million for the six months ended June 30, 2025 to RMB337.2 million for the same period in 2026. However, our historical results of operations and financial performance may not be indicative of future growth. Our revenue growth may slow or our revenue may decline for any number of possible reasons, such as decreased customer orders, increased competition, slowdown in the growth or contraction of downstream market demand, changes in policies or general economic conditions, and natural disasters. As the market and our business evolve, we may modify our operations, data and technology, sales and marketing, and product offerings. These changes may not achieve expected results and may have a material and adverse impact on our results of operations and financial condition. Our expenses may grow faster than our revenue, and our expenses may increase or may be greater than we expected. We cannot assure you that we will be able to achieve similar results or grow at the same speed as we did in the past or at all.

We may be exposed to credit risk due to customer defaults, which could harm our business, financial condition, results of operations and cash flows.

Our trade receivables primarily consist of outstanding amounts of receivables from third parties. As of December 31, 2023, 2024, 2025 and June 30, 2026, our trade receivables, net of loss allowance were RMB109.9 million, RMB211.7 million, RMB183.8 million and RMB185.7 million, respectively. Our trading terms with some of our customers are on credit. In addition, our trade and bills receivables turnover days, which provide an indication of the length of our collection cycle, were 105.4 days in 2023 and 114.2 days in 2024, further increased to 131.0 days in 2025 and decreased to 103.5 days in the six months ended June 30, 2026. We generally allow a credit period of 60 days to 90 days. Trade receivables are generally settled in accordance with the terms of the respective contracts. We cannot assure you that we are or will be able to accurately assess the creditworthiness of each of our customers before entering into agreements or extending credit terms, neither can we guarantee that each of these customers will be able to strictly follow and enforce the payment schedules provided in the contracts. We cannot guarantee that we will not have to extend payment terms for certain customers going forward. We cannot assure you that in the future, we will be able to recover all the accounts receivable. Any inability of our customers to pay us in a timely manner may adversely affect our liquidity and cash flows, which in turn has a material adverse effect on our business operations and financial condition.

We may be subject to a prolonged cash conversion cycle, which could adversely affect our liquidity, financial position and business operations

Our business is subject to a relatively long cash conversion cycle as there is generally a time gap between our payment for raw materials and other procurement and

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our collection of trade and bills receivable from customers. During 2023, 2024 and 2025, our trade and bills receivables turnover days were consistently longer than our trade and bills payable turnover days, which resulted in a mismatch between our cash inflows and cash outflows.

Our trade and bills receivables turnover days increased from 105.4 days in 2023 to 114.2 days in 2024, further to 131.0 days in the 2025 and decreased to 103.5 days in the six months ended June 30, 2026, primarily because of timing differences between our revenue expansion and the subsequent collection arrangement. During the same periods, our trade and bills payables turnover days increased from 76.5 days in 2023 to 79.5 days in 2024, further to 128.2 days in 2025 and increased to 145.5 days in the six months ended June 30, 2026, primarily due to the extension of credit periods granted by certain suppliers as our bargaining power improved with business expansion, our increased use of bills settlement for procurement payments, and advance procurement and inventory stocking to mitigate raw material price increase risks.

The increase in our trade and bills payables turnover days did not fully offset the impact of the longer collection cycle of our trade and bills receivables. If we fail to effectively manage our cash conversion cycle, our working capital may be tied up for a longer period, our liquidity pressure may increase, and we may need to rely more heavily on external financing to support our operations and business expansion plans, which could materially and adversely affect our business, financial condition and results of operations.

We recorded net current liabilities as of December 31, 2023 and December 31, 2024.

We recorded net current liabilities of RMB213.2 million and RMB158.9 million as of December 31, 2023 and December 31, 2024, respectively. The major components of our current liabilities were redemption liabilities and trade and other payables. As of December 31, 2025, our liquidity position turned to net current assets of RMB264.3 million. As of June 30, 2026, we recorded net current assets of RMB293.2 million. There can be no assurance that we will not experience liquidity problems in the future. If we fail to generate sufficient revenue from our operations, or if we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business, operations and capital expenditure and our business and financial position will be adversely affected.

Fair value change of financial assets at fair value through profit or loss may affect our results of operations.

Fluctuation in fair value change of our financial assets at fair value through profit or loss, which primarily include consisting of structured deposit, wealth management products, fund investment and bonds. Changes in the fair value of these financial assets are reflected in our consolidated statement of profit or loss. The methodology that we use to assess the fair value of our investments in structured deposit, wealth management products, fund investment and bonds involve a significant degree of management judgment and are inherently uncertain. We cannot assure you that market conditions and regulatory environment will create fair value gains on the financial assets we invest in or that we will not incur any fair value losses on our financial assets in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected. Changes in the fair value of the financial assets are reflected in our consolidated statement of profit or loss. See Note 28 to the Accountants’ Report in Appendix I to this document.

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We are exposed to commodity risks in respect of the price fluctuations and supply of key raw materials used in our production, which may materially and adversely affect our cost of sales, gross margin, inventory value and results of operations.

The materials used in our battery manufacturing mainly include cathode, anode, separator and electrolyte, and the prices of these materials are significantly affected by the prices of metals or commodities such as lithium, nickel and cobalt. We also use other materials and parts in our production, including electronic parts and structural parts of batteries, the prices and supply of which are also subject to fluctuations caused by factors beyond our control, including the availability of upstream resources, market supply and demand, potential speculative activities, market disruptions, natural disasters and technological advances.

Cost of direct materials, comprising the raw materials and components that we procure for the manufacturing of our battery products, constitutes the largest portion of our cost of sales. In 2023, 2024, 2025 and the six months ended June 30, 2026, our cost of direct materials amounted to RMB96.2 million, RMB136.3 million, RMB139.6 million and RMB100.0 million, respectively, representing 38.6%, 39.3%, 36.3% and 44.2% of our total cost of sales for the corresponding year/period.

As a result, significant fluctuations in the prices of raw materials and other commodities used in our production may materially increase our procurement costs and exert downward pressure on our gross margin and profitability.

Our principal raw materials include lithium cobalt oxide (“LCO”), electrolyte and graphite, among which LCO represented the most significant raw material cost item during the Track Record Period and therefore had significant impact on our profitability among our principal raw materials. For illustrative purposes only, assuming that all other factors affecting our financial performance remained constant, and assuming that fluctuations in the prices of our principal raw materials could not be passed on to customers through price adjustments, based on our procurement records, a 1% increase in the aggregate cost of LCO, electrolyte and graphite would have decreased our profit before taxation by approximately 0.04%, 0.04%, 0.1% and 0.1% in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively, while a 5% increase in the aggregate cost of these principal raw materials would have decreased our profit before taxation by approximately 0.2%, 0.2%, 0.5% and 0.6% in the same years/period, respectively. Conversely, a decrease in the aggregate cost of these principal raw materials by the same magnitude would have had an opposite effect on our profit before taxation, assuming all other factors remained constant. In addition, based on our total direct material costs during the Track Record Period, a 1% fluctuation in the average price of all direct materials would have affected our profit before taxation by approximately RMB1.0 million, RMB1.4 million, RMB1.4 million and RMB1.0 million in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively, and a 5% fluctuation would have affected our profit before taxation by approximately RMB4.8 million, RMB6.8 million, RMB7.0 million and RMB5.0 million in the same years/period, respectively. The foregoing sensitivity analyses are for illustrative purposes only and only reflect variations in a single factor, without taking into account other factors such as changes in sales volume, product mix, average selling prices, procurement and inventory management, production efficiency, automation level and our ability to negotiate pricing adjustments with customers or suppliers.

In addition, if commodity and raw material prices increase significantly, or if the expected market price of our products declines, we may incur inventory write-downs or impairment losses and may have to sell inventory at discounted prices. If we fail to effectively manage our exposure to commodity risks, including fluctuations in the prices and supply of key raw materials, our business, financial condition and results of operations may be materially and adversely affected.

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Our profit margins and results of operations may be materially and adversely affected by volatility in the components of our cost of sales.

In addition to raw materials, our cost of sales includes labor costs, utilities, depreciation, manufacturing overhead, packaging materials and outsourced processing fees. These cost components may fluctuate due to factors beyond our control, such as labor market conditions, statutory wage adjustments, changes in energy prices, environmental and safety regulations, and the scale of our production activities.

As we continue to expand production capacity, depreciation and other overhead costs may increase, and we may incur higher utilities and maintenance expenses associated with larger facilities and higher utilization rates. In addition, packaging materials, ancillary components and outsourced processing services may be subject to supply-chain constraints or price adjustments by suppliers.

During the Track Record Period, our cost of sales increased from RMB249.4 million in 2023 to RMB346.6 million in 2024, further to RMB384.2 million in 2025. Our cost of sales increased by 18.0% from RMB192.3 million for the six months ended June 30, 2025 to RMB226.8 million for the six months ended June 30, 2026. In addition to direct materials, our major cost components included direct labor costs, manufacturing costs and outsourced processing costs. Direct labor costs amounted to RMB46.7 million, RMB64.0 million, RMB67.0 million and RMB35.7 million in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively, representing 18.7%, 18.5%, 17.4% and 15.7% of our total cost of sales for the same years/period, respectively. Manufacturing costs amounted to RMB85.1 million, RMB105.4 million, RMB127.2 million and RMB65.6 million, respectively, representing 34.1%, 30.4%, 33.1% and 28.9% of our total cost of sales, respectively. Outsourced processing costs amounted to RMB15.5 million, RMB28.0 million, RMB43.9 million and RMB23.0 million, respectively, representing 6.2%, 8.1%, 11.4% and 10.1% of our total cost of sales for the same years/period, respectively. Accordingly, any material increase in these cost components could increase our cost of sales and adversely affect our gross margin and profitability if we are unable to pass on such increases to our customers or offset them through efficiency improvements.

We may not be able to fully pass on these cost increases to our customers due to competitive pressures or contractual arrangements. If any of these cost components increase significantly and we are unable to offset the impact through pricing adjustments or efficiency improvements, our gross margin, financial condition and results of operations may be materially and adversely affected.

Fluctuations in exchange rates could result in foreign currency exchange losses and could materially and adversely affect our financial performance.

A substantial portion of our revenue and cost of sales is denominated in Renminbi. However, as we also operate a part of our business in certain countries and regions outside of Chinese Mainland, and have certain receivables, payables and cash denominated in foreign currencies, we are exposed to risks associated with foreign currency exchange fluctuations. Fluctuations in foreign exchange rates against the Renminbi could result in changes in reported revenue and results of operations due to the foreign exchange impact of translating these transactions into Renminbi. Currency fluctuations could decrease revenue and increase our cost of sales. During the Track Record Period, we recorded a net foreign exchange loss of RMB0.7 million in 2023, a net foreign exchange gain of RMB2.0 million in 2024, a net foreign exchange loss of RMB3.2 million in 2025 and a net foreign exchange loss of RMB6.2 million in the six months ended June 30, 2026, in consolidated statements of profit or loss.

Trade restrictions, tariff, or sanctions on our products or the end products in which our batteries are installed may adversely affect our business.

Our customers’ sales in certain jurisdictions may become subject to trade restrictions and tariffs, which could impact their sales volume and in turn their

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procurement from us. Such tariffs and trade restrictions may impact our customers' sales, which may in turn impact our sales of mini-sized lithium ion battery products. For example, recently, the United States announced broad tariffs on imports from all countries, under the International Economic Emergency Powers Act ("IEEPA"). In April 2025, the United States imposed a 20% IEEPA Fentanyl Tariff and a 125% IEEPA Reciprocal Tariff. In May 2025, IEEPA Reciprocal Tariff was lowered to 10%. In November 2025, the United States government announced that IEEPA Reciprocal Tariff would remain at 10% until November 10, 2026, while lowering the IEEPA Fentanyl Tariff to 10%. Low value shipments into the United States through the international postal network valued at US\$800 or less are subject to 10% duty. Alternatively, for a period of 6 months from August 29, 2025 (until February 2026), a specific duty rate of US\$80 per item is available. Additionally, the United States continues to assess the tariff rates it will impose on other jurisdictions, which might impact our customers' sales and, in turn, directly or indirectly impact our business or financial performance. These policies have adversely affected the global economy and financial markets. As relevant policies are rapidly evolving, it may be difficult to evaluate their potential future impacts. Geopolitical and trade conflicts like this may also lead to volatility in financial markets, fluctuations in currency exchange rates and increased procurement costs. In extreme cases, such conflicts could result in economic downturns that materially and adversely impact our operations. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated or, in particular, if any government takes retaliatory trade actions due to recent global trade tensions, such changes could have an adverse effect on our business, financial condition and results of operations.

The imposition of additional tariffs and trade restrictions may adversely impact our competitiveness in overseas markets. Manufacturers based in China, including us, may face greater pricing pressure compared to peers based in other regions, particularly those not subject to such tariffs. This could lead to reduced demand for our products or require us to adjust our pricing strategy, which may adversely affect our business, financial condition, and results of operations. There is no guarantee that additional tariffs or trade restrictions will not be imposed in the future, which could further impact our ability to compete in overseas markets. In addition, our customer agreements generally do not contain automatic tariff pass-through mechanisms, and we primarily rely on periodic re-quotation and commercial negotiations to manage pricing in response to tariff changes. There can be no assurance that we will be able to fully or timely pass on increased costs to our customers.

We and some of our subsidiaries currently enjoy, and other subsidiaries may in the future enjoy, preferential tax treatment, including reduced tax rates. The expiration of, or changes to, any of these preferential tax treatments could adversely affect our business, financial condition, and results of operations.

We have received preferential tax treatments applicable to different enterprises, industries and locations. We and some of our subsidiaries are currently taxed at preferential rates due to the nature of our business activities and/or the location of our operations. For example, some of our subsidiaries enjoy a reduced income tax rate in accordance with the respective taxation policies of such jurisdictions. In particular, our subsidiaries in the PRC are generally subject to PRC corporate income tax at a rate of 25%, whereas our Company and a subsidiary that qualify as high-tech enterprises have been subject to a preferential corporate income tax rate of 15%. However, these preferential tax treatments are typically subject to review and renewal by the relevant tax authorities and are dependent on our compliance with applicable rules and regulations. There is no assurance that we will continue to qualify for such preferential tax treatment or that these benefits will be renewed upon expiration.

Changes in the political and economic policies, as well as the interpretation and enforcement law, rules and regulations, may affect our business, financial condition, results of operations and prospects.

Our business, financial condition, results of operations and prospects may be materially affected by economic, political and legal developments in the jurisdictions in

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which we operate. The overall economic growth is influenced by the governmental regulations and policies in relation to resource allocation, monetary policies, preferential treatment to particular industries or companies and others. Any of the foregoing would affect our business, financial condition, results of operations and prospects. Laws, rules and regulations in relation to economic matters are promulgated from time to time, including those related to such as foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade, so as to develop a comprehensive system of commercial law. In addition, the interpretation and implementation of the laws and regulations may also evolve from time to time, and we cannot assure you that our business operations will not be affected in the future.

You may experience difficulties in effecting service of legal process or enforcing foreign judgments against us.

We are a company incorporated in China with limited liability, and a substantial portion of our assets are located in China. In addition, most of our Directors and senior management personnel reside within China. As a result, it may be complex for investors to effect service of process outside of Chinese Mainland upon us, our Directors or senior management or to enforce judgments obtained against us in courts outside Chinese Mainland. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in Chinese Mainland only if the jurisdiction has a treaty with Chinese Mainland or if the jurisdiction has been otherwise deemed by the courts of Chinese Mainland to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, Chinese Mainland is not a party to treaties providing for the reciprocal enforcement of judgments of courts with certain foreign countries such as the United States, and enforcement in Chinese Mainland of judgments of a court in these jurisdictions may consequently be difficult or impossible.

We are a PRC tax resident and we are subject to PRC tax on our global income, and the dividends payable to investors and gains on the sale of our H Shares by our investors are subject to PRC tax.

As a PRC-incorporated company, under applicable PRC tax laws, we are required to pay tax on our global income. Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares.

Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) with respect to PRC source income or gains at a rate of 20%. For a Non-PRC individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless a reduction is approved by the competent tax authority of the State Council or exempted by an international convention or agreement to which the PRC government is a party. We are required to withhold related tax from dividend payments paid to non-PRC resident individuals, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. Non-resident individual H Share holders should be aware that they may be obligated to pay PRC income tax on the dividends and bonus realized from the H Shares.

Non-PRC resident enterprises that do not have establishments or premises in China, or that have establishments or premises in China but their income is not related to such establishments or premises are subject to the enterprise income tax of the PRC ("EIT") at the rate of 10% on dividends received from Chinese companies and gains realized upon disposition of equity interests in Chinese companies pursuant to the Enterprise Income Tax Law of PRC (《中華人民共和國企業所得稅法》) and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》)

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(collectively, the “EIT Law”) and other applicable PRC tax regulations and statutory documents, which may be reduced or eliminated under special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise resides. Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, payment of any such refund will be subject to the PRC tax authorities’ verification. As of the date of this document, there were no specific rules on how to levy tax on gains realized by non-resident enterprise H Shareholders through the sale or transfer by other means of the H Shares. If any such tax were to be levied, the market price of our H Shares may be materially and adversely affected.

Failure to comply with labor-related PRC laws and regulations and pay social insurance and housing provident funds in full may adversely affect our business, financial condition and results of operations.

Our success depends on our ability to hire, train, retain and motivate our employees. Any deterioration in labor relations with our employees could lead to labor disputes, which may disrupt our production and operations, adversely affecting our business and financial performance. We may face liability claims, negative publicity and government investigations related to workplace safety or employee injuries. Such incidents could result in a deterioration of our labor relations with employees and damage our reputation. Additionally, with the growth of the economy, average wages of our employees are expected to increase. Any significant increase in labor costs could adversely affect our profitability, business and financial performance.

During the Track Record Period and up to the Latest Practicable Date, certain of our PRC subsidiaries did not make social insurance and housing provident fund contributions in full for certain employees in accordance with applicable PRC laws and regulations. The shortfall was approximately RMB1.7 million, RMB2.6 million, RMB4.2 million and RMB2.4 million for the years/period 2023, 2024, 2025 and the six months ended June 30, 2026, respectively, comprising social insurance shortfall of approximately RMB1.4 million, RMB2.3 million, RMB3.4 million and RMB1.7 million for the same years/period, respectively, and housing provident fund shortfall of approximately RMB0.2 million, RMB0.3 million, RMB0.8 million and RMB0.6 million for the same years/period, respectively. The shortfall was mainly attributable to Jiangxi Mic-Power, Ganzhou Jiwang New Energy Co., Ltd.* (贛州集旺新能源有限公司) and Guangdong Mic-Power.

As advised by our PRC Legal Advisor, the maximum penalty payable by the Group for our outstanding social insurance and housing provident fund shortfall during the Track Record Period is approximately RMB26.9 million. Our PRC Legal Advisor is of the view that the risk of the Group being subject to significant penalties is remote, and will not have any material adverse impact on the Group.

Companies operating in the PRC have to participate in various employee benefit plans required by the government, including certain social insurance and housing provident funds. Employers that fail to fully comply with such requirements may be required to pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court. The requirement and implementation of employee benefit plans may vary considering the different levels of economic development in different locations in the PRC, employers who fail to make adequate payments as required by the local competent authorities may be subject to late payment fees, fines and/or other penalties. We cannot assure that our historical and current practice with respect to the contribution of social insurance plans and housing provident fund will at all times satisfy the government authorities in Chinese mainland mainly due to the evolving interpretation and implementation of these laws and regulations. Also, there can be no assurance that any new laws and regulations, or more stringent interpretation and implementation of existing and new laws and regulations will not lead

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to extra employee benefit plan costs, which may adversely affect our results of operations and financial condition. Given the magnitude, complexity and continuous amendments to these laws and regulations, compliance therewith may be onerous and may involve substantial financial resources as well as other resources to establish efficient compliance and monitoring systems. The liabilities, costs, obligations and requirements associated with these laws and regulations may therefore be substantial.

In addition, pursuant to the Interpretation (II) of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Labor Dispute Cases, any agreement or undertaking that we are not required to make social insurance contributions may be held invalid by the PRC courts. If we fail to make social insurance contributions in accordance with the applicable law, employees may terminate their labor contracts and claim economic compensation. As a result, any failure by us to make social insurance contributions in full and on time may expose us to labor disputes, compensation claims and potential disruption to our operations, which could adversely affect our business, financial condition and results of operations. Please refer to the paragraph headed “Regulatory Overview — Laws and Regulations on Labor, Social Insurance and Housing Provident Fund” for further details.

If the relevant governmental authorities are of the view that such prior arrangement does not satisfy the requirements under the relevant PRC laws and regulations in respect of housing provident funds, we may be ordered to pay the outstanding balance to the relevant local authorities within a prescribed period of time, failing which the relevant governmental authorities could apply to the People’s Court for enforcement, but no penalties are provided under the relevant PRC laws and regulations. In respect of social insurance premium, we might be ordered to pay the outstanding balance within a certain period of time and a late fee that equals 0.05% of the total outstanding balance per day from the date of the failure to make payment, failing which we may be subject to a fine ranging from one to three times the total outstanding balance.

Risks Relating to the [REDACTED]

There has been no prior public market for our H Shares, and an active trading market for our H Shares may not develop or be sustained.

Prior to the [REDACTED], there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the [REDACTED]. In addition, the [REDACTED] of our H Shares is expected to be fixed by agreement between the [REDACTED] (for itself and on behalf of the [REDACTED]) and us, and may not be an indication of the market price of our H Shares following the completion of the [REDACTED]. If an active public market for our H Shares does not develop following the completion of the [REDACTED], the market price and liquidity of our H Shares may be materially and adversely affected.

The price and trading volume of our H Shares may be volatile, which could lead to substantial losses to investors.

The price and trading volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. The Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. The business and performance and the market price of the shares of other companies engaging in similar business may also affect the price and trading volume of our H Shares. In addition to market and industry factors, the price and trading volume of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory

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developments, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Further, the price and trading volume of our H Shares may also be affected by capital market activities that we may undertake in the future, such as the issuance of new shares or other securities, as well as disposal of our shares by other shareholders. Any fluctuations in the price and trading volume of our H Shares as a result of the above could lead to substantial losses to investors.

The interests of our Controlling Shareholders may not be aligned with the interests of other Shareholders.

Immediately following the completion of the [REDACTED] and assuming the [REDACTED] is not exercised, our Controlling Shareholders, being Mr. Chen, Mr. Xu, Zhuhai Jiwang, Huizhou Jiwang, Shenzhen Mic-Power, Zhuhai Micro Energy, Zhuhai Mic-Power and Zhuhai Jiyi, will hold approximately [REDACTED]% of the issued share capital of our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their shares of our Company as part of a sale of our Company and might reduce the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

We cannot assure you when, whether and in what form or size we will pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Under the applicable laws and regulations of Chinese Mainland, the payment of dividends may be subject to certain limitations, and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under HKFRS. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account various factors, including but not limited to our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our constitutional documents, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant. See “Financial Information — Dividend Policy” for further details of our dividend policy.

You should read the entire document carefully and only rely on the information included in this document to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the [REDACTED].

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

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Certain facts, forecast and other statistics in this document obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this document are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Nevertheless, information from official government sources has not been independently verified by us, the Sole Sponsor, [REDACTED] or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain [REDACTED] information and other matters. The words "aim", "anticipate", "believe", "could", "predict", "potential", "continue", "expect", "intend", "may", "might", "plan", "seek", "will", "would", "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance.