

## BUSINESS

### OVERVIEW

We are a leading provider of integrated, high-performance, safety-enhanced mini-size lithium-ion batteries, dedicated to tackling the core challenges in mini-size battery materials and battery design and addressing the limitations of other currently available lithium-ion formulations and technologies. According to CIC, in 2025, we ranked fourth globally, and second among PRC suppliers, in consumer mini-size lithium-ion batteries by shipment volume, holding a 4.1% global market share, and second globally, and first among PRC suppliers, in mini-size lithium-ion batteries used in wireless headphones by shipment volume, holding a 7.5% global market share. Our products are based on our self-developed safety design, supplemented with innovative battery designs as well as systems and pack technologies that increase the performance and scalability of battery systems used for high-power applications. As a result, while other mini-size battery solution providers offer competitive performance in some metrics, we believe our batteries and battery systems embody multiple key characteristics, such as improved safety and thermal management, fast charge capability, long cycle and calendar life, solid state, high energy density, low power degradation and compelling balance of cost and performance.

***Diversified Product Portfolio.*** As our technology has advanced and integrated more tightly with application-specific solutions, our product portfolio falls under five main mini-size lithium-ion battery product types: (i) button, (ii) cylindrical, (iii) prismatic and bent, (iv) modules, and (v) others. Across these five product types, we enable a wide range of intelligent devices that are prevalent in daily life and in various industries. We leverage our self-developed knowhow and technologies, and automated manufacturing to expand our product offerings while aligning each product type to certain priority application scenarios: (i) wearable devices, (ii) personal smart medical devices, (iii) portable energy storage battery packs, (iv) smart educational and entertainment devices, and (v) others. This categorization reflects both manufacturing form factors and such forms' commercialization scenarios. We believe our products are among the most important components of smart devices and serve as an essential facilitator of human/device interactions.

***Comprehensive Spectrum of Industry Solutions.*** Our extensive suite of products enables us to deliver highly integrated mini-size lithium-ion batteries products to meet our customers' ever-changing needs. We have established advanced technological capabilities that underline our comprehensive product offerings, making us one of the few solution providers with a significant presence across each of the application scenarios of our respective products. Within each, we deliver our products with an application-specific solution approach. We configure our products to the specific application scenarios while integrating safety, fast charge capability, lifecycle reliability, and meeting global standards. All of our modularized products can be readily integrated and assembled with other components to create an application-specific solution. We offer customization services for most of our products. We typically tailor our products by iterating existing versions or by developing new designs, tailoring to the end-customers' specific application requirement and forthcoming product strategies. We are also actively expanding with new products tailored to market trends.

***Significant Market Opportunities.*** The mini-size lithium-ion batteries market has witnessed secular growth under technology megatrends, including AI, IoT, 5G, and cloud. Driven by the proliferation of miniaturization and wireless smart devices, mini-size lithium-ion batteries components have become essential to the interactions between human and devices. According to CIC, the global mini-size lithium-ion batteries reached 2,914.8 million units in 2025, and is expected to grow at a CAGR of 7.7% from 2026 to 2030, outpacing the broader lithium-ion battery market. We have captured significant market opportunities during the Track Record Period. Our 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

## BUSINESS

ended June 30, 2025 to RMB337.2 million for the same period in 2026. Our net profit increased from RMB6.8 million in 2023 to RMB58.1 million in 2024, we achieved a net profit of RMB31.5 million in 2025, and a net profit of RMB26.9 million in the six months ended June 30, 2026.

***Renowned End-Customer Base.*** We have attracted a broad end-customer base comprising world-leading and internationally renowned smart device and consumer electronics brands, and leading players in other targeted consumer and industrial verticals, see “Business — Representative Case Studies” for further details. Our revenue attributable to such end-customers were RMB328.7 million, RMB487.3 million, RMB507.0 million, and RMB288.9 million in 2023, 2024, 2025, and in the six months ended June 30, 2026, respectively. In addition, our dedicated service teams that work closely with such end-customers to cater to their specific design requirements and product development processes, collecting first-hand industry insights which in turn inspire our overall R&D efforts. In turn, we are able to penetrate a wide spectrum of such customers, foster long-term and stable partnerships, and maximize customer value. We believe that such strong relationships enable us to stay at the forefront of industry development and reinforce our technological leadership, which creates a powerful cycle unlocking continued innovation and the delivery of increased value to our customers.

***Technology and Innovation.*** We believe our core technologies and IP portfolio have established a solid foundation for our technology innovation across a variety of sectors and are crucial to our long-term success. We have built a multi-tiered R&D system that includes a research institute, a product development center, and an engineering technology center, staffed by over 400 R&D personnel. As of the Latest Practicable Date, we have accumulated more than 700 intellectual property right applications, including 692 in China (including 171 invention patents), 23 in Europe and the United States, and 28 international PCT applications. These patents cover areas such as safety design, material systems, and manufacturing processes.

***Automated Manufacturing Capabilities.*** We have three production bases ((1) Huizhou, Guangdong, (2) Ganzhou, Jiangxi, and (3) Bac Giang, Vietnam) ensuring stable supply and innovation capability. Our two fully operational production bases in Huizhou and Ganzhou provide a combined production capacity of approximately 129.0 million sets, 171.1 million sets, 182.0 million sets, and 87.7 million sets of batteries in 2023, 2024, 2025, and in the six months ended June 30, 2026, respectively. Our third base in Bac Giang, was established in 2024 and currently operates four production lines. Furthermore, our self-developed flexible automated production facilities have increased our manufacturing efficiency and support rapid product changeovers and multi-variety customization needs. These lines feature automated winding, precision coating and laser sealing, which are critical for serving niche markets like smart consumer electronics and custom medical devices. Integrated with an MES system for end-to-end traceability, the lines ensure consistent quality while reducing production costs, solidifying our ability to scale innovations from lab to market. We hold ISO 9001, ISO 13485, ISO 14001, ISO 45001, ISO 14064, QC 080000 and other international certifications, complying with global safety norms like UL 1642 and IEC 62133.

## OUR STRENGTHS

As a competitive player in sectors of the global mini-size lithium-ion battery industry, we have built a competitive edge rooted in market positioning, product diversity, R&D foundations, and operational excellence.

### **Deep penetration across key end markets, with tailored products for different application scenarios**

Our key strength is our ability to align our product portfolio with the needs of high-growth end markets, ensuring we deliver solutions that solve real customer pain

## BUSINESS

points. According to CIC, in 2025, we ranked fourth globally, and second among PRC suppliers, in consumer mini-size lithium-ion batteries by shipment volume, holding a 4.1% global market share, and second globally, and first among PRC suppliers, in mini-size lithium-ion batteries used in wireless headphones by shipment volume, holding a 7.5% global market share. Our strong product adaptability is reflected in the fact that our batteries are incorporated into a broad range of end-products across our principal application scenarios.

Our end-market focus is primarily on the following application scenarios:

### *Wearable Devices*

In wearable devices, we focus on power solutions for high-fidelity, low-noise applications, including TWS/OWS headphones, earbuds, and professional audio peripherals. Button and cylindrical batteries serve as core cells for earbuds and charging cases, combining fast charge performance with electromagnetic interference suppression for audio quality. Prismatic and bent batteries complement acoustics modules in space-constrained designs such as smart glasses. Modules are deployed in charging cradles and accessory bases to enable consistent end-user experience. Our design wins with brands such as Bose, Shokz, Xiaomi, and vivo validate our leadership in this segment. Representative end-products incorporating our batteries in this application scenario include TWS earphones, charging cases and over-ear headphone products associated with BOSE; TWS earphones, charging cases, smart bands, smart watches and audio devices associated with Xiaomi; TWS earphones, charging cases and ear-clip headphone products associated with vivo; and bone conduction headphones, ear-clip headphones, hanging-style headphones and charging cases associated with shokz.

### *Personal Smart Medical Devices*

In personal smart medical devices, we address stringent safety and reliability requirements for hearing aids, glucose monitoring tools, sleep aids, and handheld medical tools. Button batteries engineered for hearing aids have long-life cycle and are manufactured under strict environmental controls to ensure medical-grade consistency. Cylindrical batteries power portable diagnostic devices requiring stable, high-rate performance, while prismatic and bent batteries enable miniaturized, skin-contact wearables where form factor is critical. For multi-cell needs, modules are configured with integrated safety and thermal management aligned to medical device standards. Representative branded end-products incorporating our batteries in this application scenario include hearing aid products associated with ReSound.

### *Portable Energy Storage Battery Packs*

In portable energy storage battery packs, we design and supply modules and integrated packs for backup and portable storage. The products incorporate our cells into sub-modules with redundant protection and thermal management to meet reliability and safety requirements. Cylindrical and prismatic batteries are selected based on energy density, charge rate, and thermal profiles, while button batteries may be deployed for ancillary low-power controls. Our pack systems are tailored for rapid deployment, robust mechanical performance, and end-user safety. Our ability to deliver such integrated solutions is supported by our established track record in this application scenario, as reflected by our revenue generated during the Track Record Period. Representative branded end-products incorporating our batteries and module products in this application scenario include portable energy storage battery packs associated with a leading global portable power and consumer electronics brand.

### *Smart Educational And Entertainment Devices*

In smart educational and entertainment devices, we support AI-enabled toys, learning tools, and handheld gaming systems. Button batteries provide compact

## BUSINESS

power for toys and sensors, while cylindrical batteries serve handheld gaming consoles and smart input devices such as styluses that requiring fast charge and consistent discharge at higher C-rates. Prismatic battery and bent battery solutions enable thinner, compact device designs, and modules are used in hub-based educational kits that require multi-domain power management. We have also co-developed, in accordance to the end-customer’s requirements, a specific model with a global leading toy manufacturer for an AI toy, and have received sample orders for this model, demonstrating our product customization cadence in this vertical.

### *R&D as a driver of market leadership*

Our ability to serve diverse end markets is underpinned by ongoing R&D investment, which enables us to develop products tailored to each segment’s unique needs. For example, we produce fast charging and high energy density solutions for TWS/OWS headphones, provide miniaturized solutions and safety protection for hearing aids, and offer tailored designs for smart educational and entertainment devices. This R&D foundation ensures we stay ahead of competitors in addressing unmet demand across markets.

In addition, we engage with globally leading clients beyond the traditional customer relationships, actively participating in their end product design and R&D phases to align our solutions with their specific needs and intended purposes. This collaborative model has led to long-term partnerships with brands such as Shokz (for sports open-ear headphones), Xiaomi (for a variety of wearable products), and ReSound (part of GN and for hearing aids). These partnerships help us expand into new markets through trusted referrals and joint innovation.

### *Authoritative industry recognition*

Our technical expertise and operational standards have earned us key certifications, including designations such as “Little Giant” Enterprise (2021), Recommended National “Little Giant” Enterprise (2022), National Intellectual Property Advantage Enterprise (2022), and Guangdong Provincial Manufacturing Single Champion (2023). These honors underscore our focus on niche market excellence and consistent quality.

### **Independent R&D Capabilities Covering the Entire Value Chain**

Our R&D capabilities span every link of the battery lifecycle, enabling us to deliver integrated solutions and maintain a 99% self-supply rate for core cells, an industry-leading level of vertical integration.

### *Forward-looking material R&D*

We invest heavily in developing advanced material systems to push performance limits. For cathodes, we adopt high-voltage materials to boost energy density; for anodes, we use silicon-carbon composites to enhance capacity. For battery casings, we have tested and applied aviation aluminum, high-purity stainless steel, and titanium alloy — materials that improve durability, reduce weight, and ensure compatibility with ultra-compact devices.

### *High-precision and advanced automated process capability*

We have overcome major production bottlenecks to achieve greater miniaturization and efficiency. We have advanced production equipment which are customized with designed parameters based on our R&D efforts and achievements. For instance, we have advanced winding technology which allows to produce extra-thin batteries in large quantities, with better consistency and less waste than traditional production methods.

## BUSINESS

Our self-developed flexible automation lines allow us to make quick product changeovers, thereby minimizing switching costs. This flexibility allows us to efficiently fulfill both high-volume orders and custom small-batch projects. See “— Our Business Model and Manufacturing Capabilities” and “— Our Technology” for further information on our advanced manufacturing capabilities.

### *Systematic product innovation by customer collaboration*

Based on our deep understanding of market application scenarios, we have developed a diverse portfolio of mini-sized lithium ion battery products through meticulous optimization of battery structure and dimensions combined with process innovation. Our product line encompasses multiple form factors, including metal cased button batteries, pouch-type button batteries, pin-type batteries, metal-cased cylindrical batteries, metal-cased prismatic batteries, pouch-type prismatic batteries, and pouch-type bent batteries. To address the continuous demand for enhanced energy density and charging power in micro batteries, we advance product performance iteration through annually updated technology roadmaps, thereby consolidating and strengthening our product competitiveness on an ongoing basis.

We have also identified the market’s increasing demand for battery life and modularized assembly trends facing micro batteries in consumer electronics. By strategically allocating our R&D resources, we developed and commercialized the industry’s most compact metal-cased prismatic battery. We co-developed dedicated manufacturing equipment with our supply chain partners, enabling such product to deliver industry-leading performance in both energy density and structural strength, and thereby ultimately supporting the end-customers’ development of distinctive end-products.

### **Industry Leading Product Performance with Core Technical Barriers**

Our products excel in key performance indicators, addressing critical industry pain points:

#### *Uncompromising safety*

We invented metal button batteries with a dual-safety mechanism in 2019, which adopts a three-point localized sealing riveting structure to create a passive pressure release channel, solving the long-standing issue of fire/explosion in traditional lithium batteries under overcharging or high temperatures. Our batteries maintain stable operation even under extreme testing conditions, including various thermal abuse tests.

#### *High energy density*

Through material and structural innovations, we have doubled the energy density of our headphone batteries over the past five years. Our fully sealed 5.8 mm-diameter button batteries, launched in 2023, exceeded energy density limits in ultra-compact spaces which is critical for hearing aids and miniaturized medical sensors. Our model 5850 (5.8 mm in diameter and 5.0 mm in thickness), the world’s smallest rechargeable lithium-ion button battery at the time of its launch in 2024, delivers reliable power at the energy density of 294 Wh/L in devices where every millimeter matters.

#### *Fast charging and long lifespan*

We use high-performance fast-charging anode materials, pre-coated foils, and advanced conductive agents to support 5–8C ultra-fast charging — meaning a TWS headphone battery can charge to 80% in just 10 minutes. For hearing aids, we have achieved life cycles over 1,500 charge-discharge cycles by controlling production conditions, for example, humidity levels and milligram-level electrolyte management, and using picosecond laser welding which minimizes thermal damage to battery components.

## BUSINESS

### *Scenario-specific customization*

We do not just build “one-size-fits-all” batteries. We provide solutions to technological hurdles faced by our customers and the end-customers, translating solutions into products and innovations across safety, energy density, charging and life cycles.

Our technological advancement continuously expands the boundaries of our mini-size lithium-ion battery capabilities, as highlighted below:

- In 2019, we launched the world’s first three-point crimping metal button battery, a patented safety innovation that resolved the long-standing risk of thermal runaway in compact batteries. Please refer to “Business — Uncompromising safety” for further details.
- In 2020, we introduced ultra-long-life hearing aid batteries tailored to the medical device sector’s demand for reliability. These batteries support over 1,500 charge-discharge cycles (at 0.5C rate) and a 10-year calendar life, outperforming industry average for hearing aid batteries.
- In 2021, we launched the 4mm-thick rechargeable button battery, the thinnest of its kind at the time. Breaking form factor constraints for ultra-compact devices, this battery maintained competitive capacity despite its slim profile, enabling sleeker designs for hearing aids, small wearables, and miniaturized medical sensors.
- In 2022, we achieved two key milestones: First, the low-noise fixed-tab button battery, which addressed a major pain point for audio devices by eliminating magnetic interference and delivering a “zero-noise” experience. Second, we launched the 100°C-cycling cylindrical solid-state battery, a mini-size solid-state solution capable of stable operation at extreme temperatures. By replacing liquid electrolytes with a solid matrix, this battery eliminated leakage risks and maintained consistent performance through repeated cycles at 100°C — a critical advantage for enclosed high-temperature environments and applications in close proximity to the human body.
- In 2024, we launched the world’s smallest rechargeable lithium-ion button battery (model 5850), measuring just 5.8 mm in diameter and 5.0 mm in thickness. This ultra-miniature battery achieved unprecedented energy density in a tiny footprint, thanks to high-precision laser sealing (1,064nm fiber laser, 0.2mm seam width) that reduced material waste and maximized internal space. Used in hearing aids and ultra-compact wearables, it replaces traditional non-rechargeable batteries, cutting user costs and extending device lifespans while adhering to global environmental standards.
- In 2025, we released the semi-solid drone battery, targeting the emerging low-altitude aircraft sector. This battery leverages a semi-solid electrolyte to deliver 680 Wh/L energy density (37.5% higher than liquid-electrolyte cells) and 8–10C fast charging, supporting drones’ high-power propulsion needs and extending flight time. With 2,000-cycle capacity retention of 85%, it meets the rigorous reliability requirements of commercial and industrial drones.

### **Sustained Technological Innovation Driven by High R&D Investment**

Innovation is embedded in our development philosophy, supported by consistent resource input and systematic mechanisms.

## BUSINESS

### *Continuous R&D investment*

We allocate at least 10% of annual revenue to R&D. This investment funds our over 400 R&D personnel and supports breakthroughs including advances in chemical material systems, product performance enhancements, innovations in product structure and form factors, and upgrades to production equipment and manufacturing processes.

### *Efficient patent output*

We file numerous new patents annually, with a focus on actionable innovations. For example, our 2022 patent for “low-noise fixed-tab button batteries” eliminated magnetic interference in audio devices, making our button batteries more attractive in such application scenarios.

### *Academia collaboration*

We collaborate with leading academic institutions, such as Central South University for battery material research, and we have contributed to The Hong Kong Polytechnic University for research on battery novel structure and lifetime. Such efforts are aimed to bridge lab innovations to product commercialization.

### **Wide Market Reach and High-end Customer Stickiness**

We have a sales network that reaches end-customers around the world, which helps facilitate further market expansion and deep customer bonding.

### *Diversified end-customer base*

Our customers span across various industries including in consumer electronics, medical devices and smart toys and entertainment applications. Such diversity helps mitigate the impact of market fluctuations in any single sector. We focus on direct sales of our products to customers engaged in the consumer electronics industry and medical devices industry in China. We also have sales and service representatives in the U.S., Europe, Mexico, China Hong Kong, and China Taiwan, and a production base in Bac Giang, Vietnam — one of the few battery companies that produce battery cells in Vietnam, which differentiates us from a significant number of mini-battery competitors that primarily rely on domestic production or outsourcing. Establishing our presence in Vietnam brings us geographically closer to the customers we serve in the region, and it can provide customers with a flexible option to source non-PRC origin products, supporting supply chain stability amid tariff volatility and other cross-border considerations.

### *Customer-centric management*

For every end-customer, we assign a dedicated project manager who acts as the main point of contact, coordinating with R&D, production, and quality teams to deliver custom solutions. We deeply involve ourselves and participate in our end-customers’ product development where possible, so as to be able to produce customized battery solutions to address issues they may encounter. This collaboration model improves customer retention, as specifications, testing protocols and workflows become more integrated, allowing us to be well positioned for our customers’ future projects or subsequent upgrades. For example, when a leading toy manufacturer needed a small, durable battery for its AI smart toys, our team worked with their team for over six months to develop a specific battery model — now in pre-production. We have also maintained our partnership with other leading industry players on a long term basis. See “— Our Business Model and Manufacturing Capabilities — Representative Case Studies”.

## BUSINESS

### **Visionary and Professional Management Team**

Our success is ultimately driven by a team of experienced leaders and specialized talent, united by a shared focus on solving industry challenges and delivering value to clients.

#### *Experienced leadership*

Our founder and Chairman, Mr. Chen Zhiyong, has over 20 years of experience in lithium batteries and wearable devices industries. He led the development of China’s first rechargeable button battery and one of the world’s leading chip-type battery — guiding our growth from a small R&D firm to a major player in the mini-size lithium-ion battery industry. His strategic vision, centered on “addressing real industry pain points,” shapes our product development and business decisions, ensuring we remain focused on innovation that matters.

#### *Top-tier R&D talent pool*

Our R&D team, comprising 406 personnel, is anchored by seasoned professionals with extensive industry expertise. Among them, three core professionals possess a cumulative experience span of eight to 15 years across the battery and related technology sectors, with a combined portfolio of over 149 filed patents that underpin our technological competitiveness. The team has driven key breakthroughs across multiple critical R&D domains. It has spearheaded the development of core battery products including button and prismatic batteries, specialized in the R&D and system matching of high-voltage and silicon-rich materials, served as a pivotal force behind the our semi-solid battery development initiatives and led efforts to enhance battery energy density, and developed our low-noise battery pack design and testing solutions, establishing technical advantages for our business.

#### *Talent development*

We also collaborate with renowned universities through industry-university-research programs, focusing on material system R&D while continuously attracting top talent in R&D and engineering to adapt to the dynamic market environment.

### **OUR STRATEGIES**

To consolidate our strengths and leading position to capture new opportunities, we have developed a clear roadmap guided by industry-leading competitiveness, focusing on growth, innovation, and global sales expansion, aligning with industry trends.

#### **Further Penetrate Existing Applications and Expanding into New Applications**

##### *Further penetrate existing applications*

- Wearable devices: We are committed to maintaining our leadership in TWS/OWS headphones, smart watches and bracelets by iterating our metal-cased mini-size batteries to meet EU requirements for end-user-replaceable batteries, positioning us to capture share as those requirements take effect. We will also leverage partnerships with leading consumer-electronics end-customers to expand into the smart glasses and smart ring market.
- Personal smart medical devices: We plan to increase our global market share by further promoting our long-life hearing-aid batteries and applying this technology to other medical devices, such as diabetes monitors and blood pressure meters, as well as maternal and infant equipment. We will further extend our ultra-thin bent batteries to miniaturized, skin-contact devices.

## BUSINESS

- Portable energy storage battery packs: We engage in module and integrated-pack deployments for backup and portable storage in family-use energy storage solution. We will offer standard and customized systems using modular building blocks, co-develop solutions with end-customers through our R&D Center, and leverage our production bases equipped with dedicated module production lines and pack assembly areas, to support residential and commercial applications.
- Smart educational and entertainment devices: We plan to grow with AI-enabled toys and portable gaming by supplying custom metal-cased mini-size batteries for AI smart toys and cylindrical batteries for handheld game consoles.

### *Expand into other potential high-growth new applications*

- Others: We plan to accelerate the deployment of our advanced batteries and modules in emerging high worth application scenarios, primarily targeting frontier markets such as low-altitude aircrafts and robotics, deepen cooperation with leading manufacturers through joint R&D, and support AI accessories and other specialized devices. We have completed the research and development of our ultra-thin bent batteries with leading customers and have entered the mass production stage. We also plan to expand the deployment of our ultra-thin bent batteries targeting wearable devices, including smart rings. We aim to roll out our semi-solid stacked batteries (launched in 2025) into drones and robots, markets driven by rising demand for high-rate, safe power solutions. By developing customized battery solutions with high reliability and enhanced safety for target industries, our strategic approach is to enter “blue ocean” markets characterized by both high growth potential and high technical barriers, thereby strengthening our core competitiveness in high end industrial power supply industry. See “— Our Product Portfolio — Our Battery Solutions Across Key Application Scenarios” for further details.

The aforementioned strategy is expected to be principally supported by approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] million, which will be allocated for the development of mini-size batteries for AI-powered terminals. For details, see “Future Plans and [REDACTED]” in this document.

### **Continue to invest in R&D to Consolidate Technical Leadership**

We will maintain at least 10% of our revenue for R&D investment to stay ahead of technical trends and meet client needs.

### *Prioritize solid-state/semi-solid batteries*

We will accelerate the commercialization of semi-solid batteries for drones and robots, and develop fully solid-state batteries for wearables — targeting 800 Wh/L energy density by 2027. The semi-solid battery commercialization effort will build on our existing pilot production at the Ganzhou base. For fully solid-state batteries, we will first focus on wearables because their compact size demands the safety and miniaturization benefits of solid-state technology. We have recently launched battery products for smart ring applications and aim to launch battery products for AI glasses applications in 2026.

## BUSINESS

### *Optimize manufacturing via R&D*

We will use AI to improve our flexible production lines to improve production efficiency. Currently, our AI integration will focus on two key areas: first, AI-driven defect detection in electrode coating — using computer vision to identify micro-cracks or uneven thickness in real time, which will boost yield rates by catching issues before they reach final assembly. Second, AI-powered process parameter optimization for winding technology — algorithms will analyze historical production data to calibrate winding speed and tension, reducing the minimum seal-cut width (critical for ultra-thin batteries) while maintaining structural integrity.

### *Collaborate to innovate*

We will expand our industry-academia research partnerships to focus on sustainable materials — aligning with sustainability goals, and in turn reinforcing the performance of our products. We will focus on our existing collaborations with Central South University and The Hong Kong Polytechnic University. For example, with Central South University, we are researching specific anode materials to improve energy density and intend to extend this research to cathode materials, with the aim of reducing reliance on rare metals and lowering material costs.

The aforementioned R&D strategy is expected to be principally supported by approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] million in aggregate, which will be allocated for: (i) the construction and fitting-out of our R&D headquarters and related staff accommodation (approximately [REDACTED]%, or HK\$[REDACTED] million); (ii) the development of mini-size batteries for AI-powered terminals (approximately [REDACTED]%, or HK\$[REDACTED] million); and (iii) the development of high-power battery solutions for emerging, high-value sectors (approximately [REDACTED]%, or HK\$[REDACTED] million). For details, see “Future Plans and [REDACTED]” in this document.

### **Enhance Manufacturing and Supply Chain Capabilities**

We will upgrade our production and supply chain capabilities to support global sales growth and reduce risks:

#### *Enhance supply chain layout*

By leveraging our existing three production bases in Huizhou, Ganzhou, and Vietnam, we aim to achieve localized production, reduce supply chain risks, and meet the needs of high-end overseas markets.

#### *Capacity and production synergy*

We will continue to expand production capacity and improve utilization rates to enhance economies of scale, while dynamically allocating resources to optimize supply chain efficiency.

#### *Digital management upgrading*

The deepening application of digital intelligent analysis significantly enhances production efficiency and quality control. This includes product quality analysis and early warning through real-time data monitoring and batch comparison, enabling proactive issue detection. For example, we use a Manufacturing Execution System (MES) and a warehouse management system (WMS) to track every unit from raw material intake to shipment. It also involves closed-loop management of production processes and customer quality requirements, which improves product consistency and yield. Real-time analysis of on-site yield and efficiency supports timely optimization of production

## BUSINESS

management. Equipment performance is monitored continuously, with fault diagnosis and early warnings powered by big data modeling. Additionally, precise cost management is achieved by establishing product-specific cost models and collecting real-time data, which allows accurate accounting for every production stage and batch. These digital intelligence applications collectively drive smarter, more responsive, and cost-effective manufacturing operations.

The aforementioned strategy is expected to be principally supported by approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] million, which will be allocated for the expansion of our production capabilities through the construction of new production lines, including: (i) button battery production lines in Huizhou (approximately [REDACTED]%, or HK\$[REDACTED] million); (ii) mini-size irregular battery production lines (approximately [REDACTED]%, or HK\$[REDACTED] million); (iii) replaceable hard-case battery production line (approximately [REDACTED]%, or HK\$[REDACTED] million); and (iv) high-power stacked battery production line (approximately [REDACTED]%, or HK\$[REDACTED] million). For details, see “Future Plans and [REDACTED]” in this document.

### Advancing Global Sales Strategy

We will accelerate our globalization efforts to capture opportunities in both high-end and emerging markets by optimizing our global resource allocation based on regional demand. For the high-end EU and U.S. markets, we plan to expand our presence through targeted sales efforts. We are committed to increasing our overseas income. We will leverage our existing relationships with global leading brands to gain traction and build new partnerships with leading tech companies in emerging segments.

We will invest more resources into emerging markets including South America, India, and Africa to expand our sales channels. These markets are expected to grow strongly, offering significant opportunities for expansion. We will also share best practices between our domestic and overseas teams to ensure consistent quality and service across all regions. By balancing high-end market penetration with expansion in emerging markets, we are committed to building a resilient global business capable of withstanding regional economic fluctuations.

The Group does not currently intend to designate a separate standalone portion of the net [REDACTED] solely for the advancement of its global sales strategy. Rather, such strategy is expected to be advanced principally through the proceeds allocated to production capability expansion and, to a lesser extent, working capital and general corporate purposes, as these are expected to support the Group’s broader global sales expansion. For details, see “Future Plans and [REDACTED]” in this document.

### Attracting and Retaining Top Talent

To fuel our innovation and globalization goals, we will prioritize attracting and retaining top global talent over the next 3 to 5 years. We plan to recruit at least 50 additional R&D engineers with expertise in solid-state battery technology, material science, and AI-driven R&D, as well as more than 10 supply chains and global operations experts to support our expanding footprint. We will launch a specialized leadership training program — “Technical Talent Leadership Training Program” — to develop high-potential employees, equipping them with the skills needed to lead our technical and business initiatives.

To retain key talent, we will offer competitive compensation packages that include performance-based bonuses, stock options, and professional development opportunities. We will foster an innovation-focused culture that encourages collaboration, creativity, and risk-taking — hosting annual technical workshops and innovation challenges to engage employees and recognize top contributions. By building a diverse, global team of experts and investing in their growth, we will ensure we have the talent needed to execute our strategic goals and maintain our competitive edge in the global market.

## BUSINESS

The aforementioned strategy is expected to be supported in part by the allocation of [REDACTED] from the [REDACTED] for R&D capabilities, which includes the construction of our R&D headquarters and related staff accommodation, and general corporate purposes. For details, see "Future Plans and [REDACTED]" in this document.

### OUR BATTERY SOLUTIONS

Mini-size lithium-ion batteries and battery systems face heightened challenges arising from constrained space, including safety and thermal management, fast-charging capability, and) balancing energy density with performance and longevity.

We believe our mini-size batteries and battery systems address the limitations of other currently available lithium-ion formulations and technologies. Our solution is based on self-developed, patented safety design, supplemented with innovative battery material designs as well as systems and pack technologies that increase the performance and scalability of battery systems used for high-power applications. As a result, while other mini-size battery solution providers offer competitive performance in some metrics, we believe our batteries and battery systems embody the following key characteristics. See "— Our Technology" for a detailed description of the core technology strengths of our products.

#### *Improved Safety Thermal Management and Design*

Leveraging our patented double safety design, our batteries are more resistant than conventional and other advanced lithium-ion batteries to failures under certain conditions, including overcharge, overheating and physical damage. Specifically, our batteries are equipped with a thermal sensitive gasket, which shrinks at  $170 \pm 20^{\circ}\text{C}$ , functioning as an energy releasing path to avoid possible safety issues. In addition, our batteries contain a patented 3-point crimping structure with an opening pressure at  $2\text{MPa} \pm 1\text{MPa}$ . When the inner pressure of the battery increases to  $2\text{MPa} \pm 1\text{MPa}$ , the 3-point crimping opens and gas pressure gets released.

#### *Fast Charge Capability*

Our self-developed battery chemistry and design enable some of our batteries to reach 80% charge from a fully discharged state within six minutes at an 8 to 10C rate.

#### *Long Cycle and Calendar Life*

Our batteries are designed to retain their power and energy over 1,500 recharge cycles and for up to five years of calendar life, allowing them to meet or exceed customer requirements in our target markets.

#### *Solid State*

Solid-state batteries are viewed as the next generation of rechargeable battery technology. We believe that solid-state batteries present a significant advantage to all products currently on the market, with the potential to be lighter, smaller, safer and cheaper. We achieved commercialization of the world's first mini-size solid-state batteries in 2024. Since our founding, our research team, led by our founder and chairman of the Board, Jason Chen, has been developing solid-state cell manufacturing technology and we aim to be a fully vertically integrated solid-state battery solution provider. We have successfully tested and are currently in the process of optimizing the composite materials that comprise the cathode, anode and electrolyte of the all-solid-state battery. In addition, we are one of the only companies to focus on a true solid-state chemistry that conducts lithium with sufficiently high conductivity and cycles lithium phosphate against graphite with positive results, and are in the process of developing more complicated solidified electrolyte materials to maximize our cycling and power results.

## BUSINESS

### *High Energy Density*

Our self-developed battery chemistry and design, in particular, our proprietary anode materials enables a higher energy density. For example, we have developed a battery with the energy density that is 37.5% higher than those of the same size. As such, our batteries provide more usable energy for a given size than many batteries based on other chemistries.

### *Low Power Degradation Over Life*

Our batteries lose less storage capacity than many competing batteries after repeated charging and exposure to high operating temperatures. As a result, less excess capacity needs to be added to our battery systems in order to account for power degradation over calendar life and still meet minimum end-of-life power requirements.

## OUR PRODUCT AND SERVICES PORTFOLIO

### Our Battery Solutions Across Key Application Scenarios

We provide battery solutions designed to optimize the performance of products in different key application scenarios, as depicted below.

### Applications



**Wearable Devices.** The transition of mobile devices into wearable formats promises to improve personal health and fitness, replace wallets for identification and payments and enhance communications. We believe increased energy density is essential to enable this transition by extending battery life and enabling enhanced features and new form factors. We secured multiple design wins in this market with leading industry players, such as Bose, Xiaomi, Shokz and vivo.

**Personal Smart Medical Devices.** Our battery products power personal smart medical devices including hearing aids, glucose monitors, sleep aids and handheld medical tools. As advised by our PRC Legal Adviser, under the applicable PRC laws and regulations, the production and sale of batteries used in medical devices do not require any special licence or mandatory product testing specifically by reason of their intended use in medical devices. Nevertheless, our batteries are engineered to meet safety and reliability requirements, they deliver medical-grade consistency, stable high-rate performance for portable diagnostics, and optimal form factors for miniaturized

## BUSINESS

skin-contact wearables. Multi-cell modules also feature integrated safety and thermal management aligned with medical device standards. According to CIC, the shipment volume of the personal smart medical devices is expected to experience the fastest growth among consumer smart terminals, with shipment expected to increase from approximately 172.6 million units in 2026 to 273.5 million units in 2030, representing a CAGR of approximately 12.2%. New and improved hearing aid designs require reliable and powerful batteries. We secured multiple design wins in this market with leading industry players, such as ReSound.

***Portable Energy Storage Battery Packs.*** We design and supply modules and integrated packs for backup and portable storage, producing an energy storage solution primarily for family use that incorporates our batteries into sub-modules with a redundant, fault-tolerant design and air-cooled safety systems. We offer both standard systems and custom systems using a modular design based on standard building blocks. For end-customers with specific needs, we co-develop customized modules via our R&D Center to fit non-standard form factors or extreme operating conditions.

***Smart Educational and Entertainment Devices.*** This is a segment driven by AI toys and portable gaming, where compact designs and long runtime are critical to user experience. We primarily offer custom metal-cased mini-size batteries for AI smart toys designed for durability and low power consumption to support continuous play and reliable operation. We also supply cylindrical batteries for handheld gaming consoles and smart input devices such as styluses, supporting fast charging to minimize downtime while maintaining stable performance. Tailored designs for smart educational and entertainment devices are underpinned by our system-level engineering in thermal management, energy consumption control and lifespan management, which extend battery life and improve reliability in demanding real-world use. As of the Latest Practicable Date, we have entered into agreements and secured multiple design collaboration orders with certain customers, including a global leading toy manufacturer, electronic games developer and an AI intelligent camera brand manufacturer, including the following:

- *Global leading toy manufacturer.* In May 2025, we entered into a development and supply agreement with a global toy manufacturer for the development, design and supply of customized mini-size batteries for its AI-enabled smart toy products. The forecasted order volume stands at approximately 10.0 million units, and mass production deliveries are scheduled to commence in 2027. Revenue to be generated under this agreement is expected to be recognized as overseas sales.
- *Electronic games developer.* We received a purchase order in April 2026 from a leading electronic games developer for steel-cased lithium-ion batteries. The order involves the development of the batteries, for which we will receive non-recurring engineering fees, before actual production and sale commence. As of the Latest Practicable Date, the project is at the proof-of-concept sample development stage and has not yet entered mass production. Revenue from this arrangement is expected to be recorded as overseas sales.
- *AI intelligent camera brand manufacturer.* In 2023, we entered into a supply agreement with a global manufacturer of professional sports action cameras for the supply of batteries for its AI-enabled professional sports camera products. The estimated order volume for 2026 is approximately 12,000 units, with a total estimated value of approximately RMB2.6 million. Revenue to be generated under this agreement is expected to be recognized as overseas sales. As of the Latest Practicable Date, we had commenced mass production deliveries.

## BUSINESS

**Development Services.** In the early stages of customer engagement, we typically undertake customer-specific development work, which may include product design and development, prototyping, pilot production, production planning, and charge non-recurring engineering fees, certification fees, sample fees and/or other development service fees on a project-by-project basis, as applicable. Once a product design has been finalized and accepted by the customer, it transitions to standardized mass production at agreed per-unit prices. We charge development service fees on a project-by-project basis, subject to completion and/or customer acceptance, determined with reference to costs and expenses incurred for the relevant projects. Development services form an ordinary and recurring activity of our business, as we continuously undertake new development projects for new and existing customers.

**Others.** We also recorded certain revenue attributable to this segment from large-scale energy storage solutions, scrap material sales and batteries for atomizers.

### ***Other potential high-growth applications***

**Emerging AI-powered Smart Terminals (such as AI rings and AI glasses).** The explosive growth of AI-powered terminal devices remains limited by suboptimal battery life. Large batteries add bulk, and increase strain on the user and force the use of inelegant form factors. Delivering large gains in energy density is key to allowing designers of emerging AI-powered smart terminal products to develop devices that combine both the features and the form factors necessary to give these products mass market appeal. As of the Latest Practicable Date, we have commenced mass production of bent batteries for smart rings.

**Low-Altitude Aircrafts.** Low-altitude aircrafts primarily use lithium-ion batteries due to their high energy density and lightweight. Li-ion batteries are favored for electric propulsion and modern systems like drones, because they have the highest energy density for their weight, long lifespan with minimal capacity loss after many charge cycles. As of the Latest Practicable Date, we have entered into substantive cooperation with several Chinese manufacturers of consumer and industrial drones and robotics, covering joint R&D initiatives and mass production.

**Robotics.** The core battery needs for robotics are closely linked to their dynamic, unpredictable working patterns. These applications need batteries that can deliver ultra-high power and instant energy output to support sudden movements, have long lifespan and stable performance to handle frequent start-stop cycles and partial charging or discharging, and feature custom shapes and integrated structures that fit complex mechanical designs. Under these conditions, safety is an overarching baseline requirement. Batteries must prevent thermal runaway when dealing with high-intensity pulse discharge and complex mechanical stress. This is done using advanced heat management systems, inherently safe materials and smart real-time monitoring. As of the Latest Practicable Date, we have already started R&D collaborations with leading manufacturers in this specialized field.

### **Lithium-Ion Battery Types**

Our lithium-ion battery products can be classified into five types based on structure: (i) button, (ii) cylindrical, (iii) prismatic, (iv) bent and (v) modules.

Button batteries are small, flat, circular batteries used in small electronic devices like hearing aids, watches, smart earbuds and smart glasses, and is designed to be compact and lightweight. Button batteries are deployed predominantly in wearable devices and personal smart medical devices. These products emphasize dual-safety sealing, low-noise characteristics, and long-cycle life aligned to close-to-body use.

Cylindrical batteries are tubular in shape and are commonly used in smart glasses, styluses, handheld medical devices such as portable oxygen concentrators, and handheld

## BUSINESS

game consoles. Cylindrical batteries are applied in wearable devices charging cases, personal smart medical devices requiring handheld power, and smart educational and entertainment devices such as handheld consoles where high-rate performance and thermal stability are required.

Prismatic cells are rectangular metal-cased prismatic batteries, which are commonly used in smart glasses, smart watches and smart toys, and bent cells are ultra-thin bent batteries for curved or miniaturized designs such as smart rings and curved wearable sensors. Both types of batteries maximize volumetric efficiency and enable integration in curved or ultra-compact devices. The metal-cased prismatic architecture removes redundant pouch seals to free up volume and improve thermal conduction, while our bent type batteries address curved-device constraints in applications such as smart glasses and smart rings. Such form factors enable thinner designs, compliance with user-removability requirements, and improved capacity.

Modules constitute the integrated packs and sub-systems of portable energy storage battery packs. Their designs integrate power electronics, safety systems, and thermal management solutions. Where purchased battery cells are used, they are mainly deployed in our battery packs and modules, rather than in our core mini-size battery cell products. The battery cells used in our portable energy storage battery packs and single cell pack products are large-capacity standardized cells that are widely available as mature, commoditized products in the market. Given the ready availability of such cells at competitive market prices, in-house production of such cells would not offer a meaningful cost advantage and would require capital expenditure on production equipment outside the scope of our core mini-size lithium-ion battery business. In addition, such cells are typically procured through customer-designated supply chains. Accordingly, we consider it more commercially efficient to procure such cells externally and to focus our manufacturing resources and R&D capabilities on our core mini-size lithium-ion battery products. Our value-add in this segment is not mere assembly, but lies in our application-scenario matching, module and system design, and related software configuration, structural design, thermal management, safety and protection design, testing and validation, and customer specific engineering for different product specifications. Accordingly, even where certain battery cells are externally sourced, the relevant products continue to embody our system-level engineering and customization capabilities. We offer a variety of fully packaged systems as well as sub-module building blocks for use in battery packs and energy storage solutions. Our development of integrated systems includes not only the packaging of our batteries, but also power electronics, safety systems, thermal management, testing, production and qualification. Our energy storage modules for household and small commercial use integrate our cells into sub-modules with redundant protection, air-cooling, and built-in safety controls, supporting the portable energy storage battery packs application scenarios. While demand for our portable energy storage battery pack products increased in 2024, we have proactively adjusted our product strategy to focus on other segments of our business after evaluating our overall profitability and value-add profile. In particular, compared with our core mini-size lithium-ion battery products, this segment generally involves a relatively higher proportion of OEM/ODM processing and purchased materials and therefore contributes lower margins. Accordingly, we will continue to serve selected customer needs in this segment, but will adopt a more selective approach and allocate resources more prudently, with a greater emphasis on products and directions that offer stronger self-developed technology content and higher profitability. As a result of the foregoing strategic adjustment, we expect the contribution of portable energy storage battery packs to our overall revenue mix to remain limited and to decline as a proportion of our total revenue over time. This is not expected to have a material adverse impact on our overall business. Going forward, we intend to focus more on our core mini-size lithium-ion battery products and other self-developed battery solutions with higher value-add, stronger profitability and greater long-term strategic significance.

We generally recognize revenue on a gross basis for the sale of modules incorporating third-party battery cells, in line with the revenue recognition model for our

**BUSINESS**

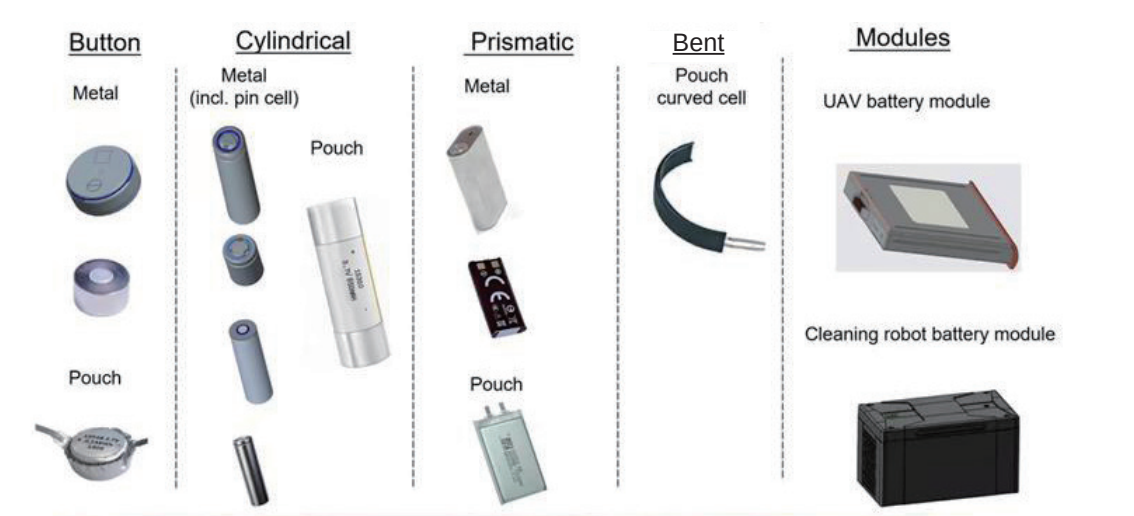
other products. For sales of modules incorporating third-party battery cells where the customer designates the supplier from whom we are to procure the relevant battery cells, we act as both a processor and manufacturer and recognize revenue on a net basis. During the Track Record Period, revenue attributable to the sale of products incorporating battery cells procured from third-party suppliers amounted to approximately RMB24.0 million, RMB20.2 million, RMB20.1 million, and RMB7.3 million for the years/period ended December 31, 2023, 2024, 2025, and in the six months ended June 30, 2026, respectively, representing approximately 6.8%, 3.8%, 3.6%, and 2.2% of total revenue for the respective periods.

For revenue recognized on a net basis, except for certain raw materials procured by us, the customer designates the supplier from whom we are to procure the battery cells and specifies the relevant battery cells to be procured. Although we bear the procurement cost upfront, the procurement price of such battery cells is determined by the customer. After procuring the relevant battery cells, we assemble them, together with other raw materials where applicable, into finished products and sell such finished products to the customer. The selling price is determined based on the procurement cost of the relevant battery cells plus a processing fee, including fees attributable to raw materials procured by us. We recognized such revenue on a net basis for only one customer amounting to nil, RMB13.5 million, RMB11.8 million, and RMB494 thousand for the years/period ended December 31, 2023, 2024, 2025, and in the six months ended June 30, 2026, respectively.

In parallel, we co-develop device-specific battery packs with end-customers for robotics and other specialized tools under other emerging application scenarios, tailoring pack geometry, thermal interfaces, and BMS integration to end-customer requirements. For non-standard form factors, our R&D Center collaborates with such end-customers to deliver customized modules that meet mechanical, thermal, and regulatory constraints. In addition, we also recorded certain revenue from providing battery solutions for large-scale energy storage solutions, and scrap material sales.

Going forward, we aim to provide other energy storage solutions, and batteries and modules for devices in other emerging application scenarios, including certain accessories and specialized or prototype units not attributable to the other four application categories; accessories, components, and ancillary SKUs sold independently of core cells and modules, R&D prototypes and pilot runs that do not fall within the four primary product types, and specialized units for drones, robotics, AI accessories, and industrial sensors.

**Product Offerings**



## BUSINESS

The table set forth below summarizes the key metrics of our current battery product offerings. While our operational focus is on mini-size lithium-ion batteries ( $\leq 1,000$  mAh), certain product types, including modules and certain prismatic batteries, have capacities exceeding 1,000 mAh.

|                                     | Product Type                |                                   |                                        |                       |                                                                                             |
|-------------------------------------|-----------------------------|-----------------------------------|----------------------------------------|-----------------------|---------------------------------------------------------------------------------------------|
|                                     | Button                      | Cylindrical                       | Prismatic                              | Bent                  | Modules                                                                                     |
| <i>Key Metrics</i>                  |                             |                                   |                                        |                       |                                                                                             |
| Nominal capacity (mAh) . . . . .    | 10.5-105                    | 56-270                            | 35 - 2,000 <sup>(1)</sup>              | 5-23.5                | 2,000-45,000 <sup>(2)</sup>                                                                 |
| Nominal voltage (V) . . . . .       | 3.8                         | 3.2                               | 3.8                                    | 3.87                  | 3.2                                                                                         |
| Energy (Wh). . . . .                | 0.42                        | 0.86                              | 7.11                                   | 0.09                  | 144.00                                                                                      |
| Power/energy ratio . . . . .        | 1                           | 10                                | 3                                      | 1.5                   | 2                                                                                           |
| Electrode type. . . . .             | LCO                         | LCO                               | LCO                                    | LCO                   | LFP                                                                                         |
| Capability Trend . . . . .          | High capacity, more compact | Pin cell, more slim, quick charge | High ED, quick charge & discharge rate | High ED, quick charge | High voltage, high discharge rate                                                           |
| Primary application areas . . . . . | TWS earphones, hearing aids | Headphones, atomizers             | Earbuds charging cases                 | Smart rings           | Outdoor portable power, robot vacuum cleaners, lawn mowers, and two-wheel electric vehicles |

*Notes:*

- (1) While our operation focus is on mini-size lithium ion batteries with capacity of less than or equal to 1,000 mAh, we are able to produce a higher range of capacity for prismatic batteries.
- (2) The nominal capacity for modules represents the combined nominal capacity of integrated batteries or sub-systems comprising multiple cells.

## OUR KEY OPERATING AND FINANCIAL DATA

The following table sets forth a breakdown of our revenue from our products and services by main application scenarios for the years/periods indicated.

|                                                       | Year ended December 31,                       |              |                |              |                |              | Six months ended June 30, |              |                |              |
|-------------------------------------------------------|-----------------------------------------------|--------------|----------------|--------------|----------------|--------------|---------------------------|--------------|----------------|--------------|
|                                                       | 2023                                          |              | 2024           |              | 2025           |              | 2025                      |              | 2026           |              |
|                                                       | RMB                                           | %            | RMB            | %            | RMB            | %            | RMB                       | %            | RMB            | %            |
|                                                       | <i>(unaudited)</i>                            |              |                |              |                |              |                           |              |                |              |
|                                                       | <i>(in thousands, except for percentages)</i> |              |                |              |                |              |                           |              |                |              |
| Wearable devices . . . . .                            | 268,772                                       | 76.5         | 417,937        | 78.4         | 427,099        | 75.5         | 211,506                   | 74.1         | 227,218        | 67.4         |
| Personal smart medical devices . . . . .              | 28,275                                        | 8.1          | 46,813         | 8.8          | 61,138         | 10.8         | 28,986                    | 10.1         | 39,960         | 11.9         |
| Portable energy storage battery packs . . . . .       | 27,881                                        | 7.9          | 33,383         | 6.3          | 25,473         | 4.5          | 16,392                    | 5.7          | 13,438         | 4.0          |
| Smart educational and entertainment devices . . . . . | –                                             | –            | 410            | 0.1          | 2,168          | 0.4          | 353                       | 0.1          | 1,147          | 0.3          |
| Development services . . . . .                        | 4,200                                         | 1.2          | 1,672          | 0.3          | 12,325         | 2.2          | 5,341                     | 1.9          | 38,071         | 11.3         |
| Others <sup>(1)</sup> . . . . .                       | 22,034                                        | 6.3          | 32,644         | 6.1          | 37,146         | 6.6          | 23,274                    | 8.1          | 17,329         | 5.1          |
| <b>Total . . . . .</b>                                | <b>351,162</b>                                | <b>100.0</b> | <b>532,859</b> | <b>100.0</b> | <b>565,349</b> | <b>100.0</b> | <b>285,852</b>            | <b>100.0</b> | <b>337,163</b> | <b>100.0</b> |

## BUSINESS

*Note:*

- (1) Mainly comprising large energy storage solutions, scrap material sales and batteries for atomizers. See “— Standardized and Customized Products” and “— Revenue from Development Services” for further details.

Our revenue increased from RMB351.2 million in 2023 to RMB532.9 million in 2024, mainly due to higher order volumes from customers following design wins and mass-production ramp-up. See “Financial Information — Period to Period Comparison of Results of Operations” for further details.

The following table sets forth a breakdown of our sales volume and average selling price by main application scenarios for the periods indicated.

|                                                      | Year ended December 31,     |         |         |         |         |         | Six months ended June 30, |         |        |         |
|------------------------------------------------------|-----------------------------|---------|---------|---------|---------|---------|---------------------------|---------|--------|---------|
|                                                      | 2023                        |         | 2024    |         | 2025    |         | 2025                      |         | 2026   |         |
|                                                      | Sales                       | Average | Sales   | Average | Sales   | Average | Sales                     | Average | Sales  | Average |
|                                                      | Volume                      | Selling | Volume  | Selling | Volume  | Selling | Volume                    | Selling | Volume | Selling |
|                                                      |                             | Price   |         | Price   |         | Price   |                           | Price   |        | Price   |
|                                                      |                             | RMB     |         | RMB     |         | RMB     |                           | RMB     |        | RMB     |
|                                                      | (sales volume in thousands) |         |         |         |         |         |                           |         |        |         |
| Wearable devices . . . . .                           | 58,029                      | 4.6     | 100,355 | 4.2     | 114,534 | 3.7     | 55,707                    | 3.8     | 53,140 | 4.3     |
| Personal smart medical devices. . . . .              | 1,655                       | 17.1    | 3,070   | 15.2    | 4,208   | 14.5    | 2,001                     | 14.5    | 2,876  | 13.9    |
| Portable energy storage battery packs. . . . .       | 403                         | 69.2    | 619     | 53.9    | 394     | 64.7    | 277                       | 59.1    | 456    | 29.4    |
| Smart educational and entertainment devices. . . . . | —                           | —       | 37      | 11.1    | 277     | 7.8     | 31                        | 11.2    | 102    | 11.2    |
| Development services <sup>(1)</sup> . . . . .        | N/A                         | N/A     | N/A     | N/A     | N/A     | N/A     | N/A                       | N/A     | N/A    | N/A     |
| Others <sup>(2)</sup> . . . . .                      | 2,183                       | 12.0    | 4,205   | 8.2     | 3,993   | 9.3     | 2,673                     | 8.7     | 1,462  | 17.2    |

*Note:*

- (1) Due to differences in the scope, complexity and customization requirements of individual development projects, the sales volume and average selling price of development services are not indicative of any general volume or pricing trend. During the Track Record Period, the average revenue generated per development project generally ranged from RMB0.1 million to RMB6.3 million.
- (2) Mainly comprising large energy storage solutions, scrap material sales and batteries for atomizers.

The average selling price of our batteries used in wearable devices decreased from 2023 to 2025, mainly because of (i) a change in the battery mix sold within this segment, primarily due to increased sales volumes of certain lower-priced products, despite overall pricing remaining relatively stable, and (ii) a decrease in raw materials prices. It subsequently increased from RMB3.8 for the six months ended June 30, 2025 to RMB4.3 for the six months ended June 30, 2026, primarily due to upward pricing adjustments for certain customers and an increase in the sales contribution of certain higher-priced products, mainly pouch batteries used in earbud charging cases.

The average selling price of our batteries used in personal smart medical devices decreased during the Track Record Period, mainly because of a change in the battery mix sold within this segment, primarily due to increased sales volumes of the lower-priced products, despite overall pricing remaining relatively stable.

## BUSINESS

The average selling price of our batteries sold for portable energy storage battery packs fluctuated from 2023 to 2025, primarily due to the limited sales volume and small-batch orders during the initial development of this relatively new segment. In 2025, we increased sales of certain battery modules for home and outdoor energy storage, which generally commanded higher selling prices. The average selling price decreased from RMB59.1 for the six months ended June 30, 2025 to RMB29.4 for the six months ended June 30, 2026. As the selling prices of batteries sold for portable energy storage battery packs generally depend on the number of battery cells incorporated therein, such decrease was primarily attributable to a change in product mix following a strategic adjustment to our product portfolio in 2026, which resulted in increased sales volumes of energy storage modules for end products such as speakers, cameras and dashboard cameras that contained fewer battery cells than those for outdoor energy storage applications primarily sold in 2025.

The average selling price for our batteries sold for smart educational and entertainment devices fluctuated as this was also a relatively new segment. We will continue diversifying our offerings into further applications.

No clear trend could be identified in the average selling price of products classified under others, due to the diverse mix of products included in this category.

In addition to the average selling price, during the Track Record Period, the selling price ranges by main application scenario were approximately RMB3 to RMB59 for wearable devices, RMB10 to RMB1,504 for portable energy storage battery packs (the size and volume of such battery packs vary, hence the large price range), RMB6 to RMB36 for personal smart medical devices and RMB6 to RMB42 for smart educational and entertainment devices.

The following table sets forth the revenue and corresponding percentage breakdown by our major product types for the years/periods indicated:

|                       | For the year ended December 31, |      |       |      |       |      | For the six months ended June 30, |      |
|-----------------------|---------------------------------|------|-------|------|-------|------|-----------------------------------|------|
|                       | 2023                            |      | 2024  |      | 2025  |      | 2026                              |      |
|                       | RMB                             | %    | RMB   | %    | RMB   | %    | RMB                               | %    |
|                       | <i>(RMB in millions)</i>        |      |       |      |       |      |                                   |      |
| Button . . . . .      | 243.2                           | 70.3 | 342.7 | 64.8 | 345.3 | 62.8 | 166.6                             | 56.3 |
| Cylindrical . . . . . | 66.4                            | 19.2 | 113.5 | 21.5 | 112.7 | 20.5 | 59.6                              | 20.1 |
| Prismatic . . . . .   | 9.9                             | 2.9  | 33.9  | 6.4  | 62.1  | 11.3 | 56.3                              | 19.0 |
| Modules . . . . .     | 26.4                            | 7.6  | 38.7  | 7.3  | 30.0  | 5.5  | 9.5                               | 3.2  |
| Bent . . . . .        | –                               | –    | –     | –    | –     | –    | 3.8                               | 1.3  |

## BUSINESS

The following table sets forth the breakdown of product type by sales volume and average selling price for the periods indicated.

|                       | For the year ended December 31, |                       |                |                       |                |                       | For the six months ended June 30, |                       |
|-----------------------|---------------------------------|-----------------------|----------------|-----------------------|----------------|-----------------------|-----------------------------------|-----------------------|
|                       | 2023                            |                       | 2024           |                       | 2025           |                       | 2026                              |                       |
|                       | Sales Volume                    | Average Selling Price | Sales Volume   | Average Selling Price | Sales Volume   | Average Selling Price | Sales Volume                      | Average Selling Price |
|                       | (in thousands)                  | (RMB)                 | (in thousands) | (RMB)                 | (in thousands) | (RMB)                 | (in thousands)                    | (RMB)                 |
| Button. . . . .       | 53,415                          | 4.6                   | 84,892         | 4.0                   | 94,652         | 3.6                   | 40,108                            | 4.2                   |
| Cylindrical . . . . . | 6,352                           | 10.4                  | 10,232         | 11.1                  | 10,368         | 10.9                  | 5,600                             | 10.6                  |
| Prismatic . . . . .   | 2,027                           | 4.9                   | 9,841          | 3.4                   | 17,006         | 3.7                   | 11,780                            | 4.8                   |
| Modules. . . . .      | 72                              | 367.3                 | 1,190          | 32.4                  | 369            | 81.3                  | 203                               | 46.7                  |
| Bent . . . . .        | –                               | –                     | –              | –                     | –              | –                     | 230                               | 16.7                  |

The average selling price of our button batteries sold decreased over 2023, 2024 and 2025 mainly due to postponed deliveries of certain higher margin products to certain overseas customers. Such postponed deliveries refer to arrangements under which certain overseas customers requested the Group to defer delivery or pick-up of products for a period of time due to tariff-related uncertainty or their internal inventory/logistics planning. The relevant arrangements were agreed with customers on a case-by-case basis. The Group subsequently fulfilled the relevant deliveries in accordance with the agreed delivery schedule. Such arrangements did not result in cancellation of the relevant orders or material loss of customers during the Track Record Period and up to the Latest Practicable Date. Rather, it afforded the relevant customers flexibility to manage the timing of shipment and import customs clearance while tariff policies remained uncertain, including the possibility of waiting for further clarification of applicable tariff measures, adjusting inventory levels, or coordinating alternative logistics arrangements. The increase in average selling price of our button batteries sold during the six months ended June 30, 2026 was primarily due to upward adjustments to the selling prices of certain button battery products.

The average selling price of our cylindrical batteries sold increased in 2024 and remained relatively stable in 2025 and in the six months ended June 30, 2026. The increase was mainly primarily due to increased sales volumes of the higher-priced models relative to other products.

The average selling price of our prismatic and bent batteries sold decreased from 2023 to 2025 primarily due to increased sales volumes of the lower-priced models. The average selling price of the same batteries sold increased from 2025 to the six months ended June 30, 2026 primarily due to the commencement of commercial sales of bent batteries for smart rings, which commanded a higher average selling price, and upward pricing adjustments for certain prismatic battery models to reflect increases in raw material costs, particularly lithium cobalt oxide.

The average selling price our battery modules sold fluctuated during the Track Record Period mainly because we only had small batch sales initially given that this line of business was relatively new. In addition, module specifications vary for different end-products and their prices vary significantly.

## BUSINESS

In addition to the average selling price of our products, the selling price of our representative products varied during the Track Record Period depending on product type, application scenario, technical specifications and order size. Based on our top-selling products, the selling price ranges by product type were approximately RMB2 to RMB48 for prismatic batteries, RMB2 to RMB20 for button batteries, and RMB3 to RMB78 for cylindrical batteries.

### OUR BUSINESS MODEL AND MANUFACTURING CAPABILITIES

#### Production Model

We sell our lithium-ion battery solutions primarily to electronics manufacturers in various application scenarios, including OEMs and ODMs. Our core products are mini-size lithium-ion batteries, which accounted for the substantial majority of our revenue during the Track Record Period. See “—Our Product Portfolio”. We typically engage with customers under a make-to-order arrangement. Depending on such customer’s ongoing demand, we may move to a make-to-stock basis to support on-going volume production. This approach optimizes lead times, inventory costs, and can better adapt to demand volatility across our diverse product lines.

Typically, when onboarding key industry end-customers, we develop products tailored to their requirements and secure month-ahead product shipment plans from them. We then arrange internal procurement and production processes based on their specifications and deliver in accordance with the requested order schedules. The process typically starts with client specification confirmation, followed by prototype validation (through rigorous testing), and then mass production. This model lays the groundwork for long-term cooperation by directly addressing the end-customer’s application needs.

In recent years, we have leveraged various digital systems to more accurately monitor production progress across all manufacturing stages, enabling us to continuously engage in make-to-order operations. This model allows us to maintain an inventory level that is relatively low within the industry, reducing capital occupation and lowering product costs (notably, battery products are subject to power degradation after a certain period in storage, which would otherwise incur additional scrapping or rework procedures). For new customers or those with evolving technical needs, this model enables us to co-develop solutions that match their required specifications, fostering trust and demonstrating our technical capabilities before scaling up collaboration.

Typically, once a customer relationship matures, with stable demand requests, validated product specifications, and expanded order volumes, we would consider producing our products to stock to support a more efficient and large-scale supply, as well as faster delivery times. We typically maintain an inventory of key semi-finished battery cells equivalent to 2-4 months of expected demand based on our operational and projected needs. This allows for scaling mature customer relationships, with stock levels dynamically monitored and adjusted via our integrated ERP systems to balance inventory costs and supply stability. This enables us to readily accept short-lead-time orders from the Chinese market.

#### Standardized and Customized Products

Our products are customized at the design and development stage and standardized at the mass production stage. In the early stage of customer engagement, we typically undertake customized development, charging mould fees, non-recurring engineering fees, certification fees and/or sample fees as applicable. Once a product design has been finalized and accepted by the customer, it transitions to standardized mass production at agreed perunit prices.

## BUSINESS

### Revenue from Development Services

Revenue generated from development services is derived primarily from customer-specific design and development, prototyping, pilot production, acceptance testing support, production planning and/or product supply services. We charge fees on a project-by-project basis, subject to completion and/or customer acceptance. Such revenue is recognized upon completion of the relevant deliverable and acceptance by the customer. R&D services forms as an ordinary activity of our business and, we continuously undertake new development projects for new and existing customers, and such revenue was recurring in nature.

### Representative Case Studies

#### *BOSE*

Our collaboration with BOSE began in 2019. Facing growing demands in the high-end market for battery performance and supply chain responsiveness, BOSE was seeking a reliable partner to support the development of its flagship products. Leveraging our expertise in battery R&D and manufacturing, we promptly responded to the client’s needs and engaged in in-depth technical alignment and process reviews with the BOSE team.

To meet customer’s high standards for product consistency and long-term reliability, we established a dedicated production line and a high-standard aging test laboratory, fully covering the associated testing costs to ensure stable delivery. At the same time, we continuously optimized battery design based on BOSE’s product feedback, steadily improving energy density and endurance performance.

Since achieving mass production in 2020, we have consistently supplied batteries for customer’s flagship earphones, whose battery life has been well recognized in the market. This partnership has not only strengthened the trust between BOSE and our company but also demonstrated our comprehensive capabilities in the high-end customized battery sector, laying a solid foundation for our expansion into the international high-end market.

#### *GN*

Our partnership with GN, a Nordic audio technology company with over a century of history, began in 2019. Against the backdrop of the audio industry’s continuous pursuit of higher performance and reliability, GN was actively seeking battery technology partners aligned with its long-term development goals. Leveraging our technical expertise in button batteries and rapid response capabilities, we provided GN with a fully validated battery solution, demonstrating solid performance and consistency. To further strengthen the partnership and accommodate GN’s supply needs for global market expansion, both sides jointly explored further collaboration. Through resource integration and shared risk, we efficiently completed the construction and enhancement of dedicated production capacity, strongly supporting customer’s rapid business growth. In this process, we gradually established a relationship of high mutual trust and deep collaboration.

#### *Oura*

Our collaboration with Oura, a leading brand in the global smart ring market, began in late 2024, when we commenced the development of a highly customized battery solution for Oura’s next-generation smart ring. Smart rings impose particularly demanding requirements on battery performance because they must combine an compact form factor with reliable endurance, high energy density and consistent performance. Leveraging our technical expertise and accumulated experience in mini-size lithium-ion

## BUSINESS

batteries, we worked closely with Oura throughout the product development and validation process to develop a battery solution tailored to these requirements.

Following the successful completion of product development and validation, we commenced mass-production deliveries to Oura in the second quarter of 2026. The collaboration demonstrates our ability to translate our technical capabilities into commercially scalable solutions for emerging wearable applications. Through close technical coordination and supply-chain collaboration, we have established a long-term partnership with Oura, enabling us to support the commercial rollout of Oura's next-generation smart rings and further strengthen our presence in the rapidly developing global market for AI-enabled health-tracking wearables."

### *Xiaomi*

Throughout our collaboration with Xiaomi, we have witnessed and participated in a period of rapid growth in China's consumer electronics industry. In the early stages of our partnership, leveraging our focused expertise and solid technical accumulation in the button battery sector, we first partnered with Xiaomi in wearables to bring our products to market. With our batteries' stable and reliable performance, we gradually built mutual trust with Xiaomi. As our cooperation deepened, we went on to support the development and supply of batteries for multiple headphone product lines of the customer. Throughout the collaboration, we have remained customer demand-oriented, actively aligned with project timelines, and consistently ensured product quality and delivery stability. When faced with common industry challenges related to production capacity and supply chains, we demonstrated our ability to respond quickly and deploy resources flexibly, successfully meeting the client's supply needs during critical project phases.

### *vivo*

We are committed to establishing long-term, stable partnerships with leading industry customers. Our collaboration with vivo is a key embodiment of this philosophy. The partnership originated in the development phase of vivo's early TWS earphone products. Leveraging our technical accumulation in the miniaturized battery sector and our rapid-response capabilities, we actively participated in the R&D and delivery of key battery solutions. We maintained a consistent performance during testing and validation, gradually earning the customer's recognition.

As the collaboration deepened, we became one of the primary suppliers of batteries for vivo TWS earphones starting from 2020, and have continued to support multiple generations of the customer's products ever since. Throughout the partnership, we have upheld stringent quality management standards and reliable delivery guarantees, maintaining a consistent track record of dependable supply over the years/period. This sustained and in-depth collaboration has not only driven the advancement of our own technical capabilities and service system, but also helped us build a solid reputation in the consumer electronics sector, laying a firm foundation for the acquisition of more high-quality customers in the future.

### *Shokz*

Since 2024, our company has officially become a core battery supplier for Shokz headphones. As a well-known company in the Open-Ear Headphone (OWS) sector, Shokz has provided us with a high-level cooperation platform through its innovative products and market influence. Under this strategic partnership, we have leveraged our independently developed battery innovation technologies and highly responsive service system to help Shokz continuously enhance user experience in terms of battery life, safety and product lightweight design. Meanwhile, by deeply participating in the development of Shokz's cutting-edge products, we have gained abundant design inspiration and technical insights. This process has enabled us to accumulate critical product know-how,

## BUSINESS

further guiding our R&D direction in the battery technology field. In turn, we can more precisely and efficiently empower future smart wearable devices and a broader range of smart hardware products, continuously exploring new possibilities for energy solutions.

### *Customer Collaboration*

During the Track Record Period, we collaborated with customers primarily comprising international companies across the following industries: (i) consumer electronics and smart devices; (ii) medical devices (in particular, hearing aids); and (iii) portable energy storage products. These counterparties are headquartered in Switzerland, Singapore, the United States and other overseas jurisdictions, and include both end-brand owners and sourcing agents acting on behalf of end-brand owners. Under these collaboration arrangements, the Group provided customer-specific design and development, prototyping, pilot production, acceptance testing support, production planning and/or product supply services in accordance with agreed specifications, assignment schedules, statements of work and purchase orders. The contractual duration of collaboration agreements generally ranges from one to five years for framework agreements, with some automatically renewing for successive 12-month periods unless terminated by either party on prior written notice ranging from one to nine months. Certain development agreements are terminable by mutual agreement or by the customer upon not less than three months' prior written notice. Project-specific agreements or statements of work under these frameworks typically track the relevant project timeline and deliverables.

The salient terms of the Group's collaboration agreements generally include provisions on the scope of services or products, pricing and payment, delivery and acceptance, confidentiality, intellectual property ownership, and termination. In particular, the fee arrangements vary depending on the nature of the collaboration: for development projects, the Group typically charges service fees on a project-by-project basis, subject to completion and/or customer acceptance, for supply arrangements, the Group generally charges on a per-unit basis or according to the prices set out in the relevant purchase orders, statements of work or product-specific agreements, with payment terms commonly requiring settlement within 60 to 90 days after invoicing. With respect to collaboration projects, we do not have cost sharing arrangements with our customers. Instead, we conduct such projects by charging development service fees to customers. We determine the development service fees payable by customers with reference to the costs and expenses incurred for the relevant projects, such as non-recurring engineering fees, tooling costs and product certification fees. Such development service fees are recognized as revenue upon acceptance of the relevant research and development project. The related costs and expenses incurred by us are recognized as cost of sales.

These collaboration agreements also generally contain customary confidentiality provisions requiring each party to keep the other party's confidential information confidential, limit disclosure on a need-to-know basis and return or destroy confidential materials upon termination, while certain agreements also restrict publicity and impose enhanced asset protection measures. The agreements also generally distinguish between background intellectual property and newly developed intellectual property: background intellectual property remains with the originating party, while newly developed intellectual property is generally assigned to the customer, and the customer grants back to us a royalty-free license to use such intellectual property solely on products manufactured by us for that customer. We do not participate in any revenue sharing arising from such intellectual property. To protect our intellectual property under these arrangements, we clearly delineate background and newly developed intellectual property in each collaboration agreement, ensuring that our pre-existing technology base is not inadvertently transferred to the customer. The scope of each license granted is limited to the purposes specified in the relevant agreement, preventing unauthorized use beyond the agreed scope. Our collaboration agreements also contain confidentiality

## BUSINESS

undertakings that survive termination, restricting each party’s use and disclosure of the other party’s proprietary information. No revenue has been generated from license-back or cross-licensing arrangements during the Track Record Period.

The Group monetised these collaboration arrangements through development service fees, prototyping and pilot production fees and/or commercial sales revenue, as applicable, and revenue generated from such collaboration arrangements during the Track Record Period amounted to approximately RMB4.2 million, RMB1.7 million, RMB12.3 million, and RMB38.1 million in 2023, 2024, 2025, and in the six months ended June 30, 2026, respectively, all of which was recorded as revenue generated from development services.

### Production Facilities

Our manufacturing system is built around three production bases (Huizhou, Guangdong; Ganzhou, Jiangxi; and Bac Giang, Vietnam), each optimized to produce specific battery types while ensuring consistency in quality, efficiency, and compliance with regional regulations. From raw material procurement to final pack assembly, we implement end-to-end traceability and automation to meet the diverse needs of our clients.

The following table sets forth a summary of our production facilities:

| <u>Production Base</u>            | <u>Core Machinery</u>                          | <u>Automation</u> | <u>Machine Quantity</u> | <u>Production Usage</u>                                                                     |
|-----------------------------------|------------------------------------------------|-------------------|-------------------------|---------------------------------------------------------------------------------------------|
| Huizhou Production Base . . . . . | Electrode sheet production and winding machine | Fully automatic   | 26                      | Production of metal cased button batteries and cylindrical batteries                        |
|                                   | Winding machine                                | Semi-automatic    | 5                       | General purpose and production of cylindrical batteries                                     |
| Ganzhou Production Base . . . . . | Electrode sheet production and winding machine | Fully automatic   | 25                      | Production of metal cased button batteries, cylindrical batteries and hearing aid batteries |
|                                   | Electrode sheet production and winding machine | Fully automatic   | 16                      | Production of pouch-type prismatic batteries                                                |
|                                   | Winding machine                                | Semi-automatic    | 53                      | General purpose and production of cylindrical batteries and prismatic batteries             |
| Vietnam Production Base. . . . .  | Electrode sheet production and winding machine | Fully automatic   | 2                       | Production of metal cased button batteries and cylindrical batteries                        |
|                                   | Electrode sheet production and winding machine | Semi-automatic    | 1                       | Production of pouch-type prismatic batteries                                                |

## BUSINESS

The following table sets forth our production capacity, production volume, and capacity utilization rate of our production facilities for the periods indicated:

|                                             | For the year ended December 31     |                   |                           |                                    |                   |                           |                                    |                   |                           | For the six months ended June 30,  |                   |                           |
|---------------------------------------------|------------------------------------|-------------------|---------------------------|------------------------------------|-------------------|---------------------------|------------------------------------|-------------------|---------------------------|------------------------------------|-------------------|---------------------------|
|                                             | 2023                               |                   |                           | 2024                               |                   |                           | 2025                               |                   |                           | 2026                               |                   |                           |
|                                             | Production Capacity <sup>(1)</sup> | Production Volume | Capacity Utilization Rate | Production Capacity <sup>(1)</sup> | Production Volume | Capacity Utilization Rate | Production Capacity <sup>(1)</sup> | Production Volume | Capacity Utilization Rate | Production Capacity <sup>(1)</sup> | Production Volume | Capacity Utilization Rate |
|                                             | (Sets in thousands)                |                   | (%)                       | (Sets in thousands)                |                   | (%)                       | (Sets in thousands)                |                   | (%)                       | (Sets in thousands)                |                   | (%)                       |
| Huizhou Production Base . . .               | 52,305.3                           | 38,840.8          | 74.3                      | 59,417.1                           | 49,822.4          | 83.9                      | 63,855.0                           | 48,873.5          | 76.5                      | 36,975.9                           | 25,901.4          | 70.0                      |
| Ganzhou Production Base . . .               | 76,674.6                           | 33,897.5          | 44.2                      | 111,585.2                          | 69,937.5          | 62.7                      | 118,155.1                          | 91,297.1          | 77.3                      | 50,717.8                           | 38,922.5          | 76.7                      |
| Total (Chinese Mainland) <sup>(2)</sup> . . | 128,979.9                          | 72,738.3          | 56.4                      | 171,002.3                          | 119,759.9         | 70.0                      | 182,010.0                          | 140,170.6         | 77.0                      | 87,693.7                           | 64,823.9          | 73.9                      |
| Vietnam Production Base . . .               | -                                  | -                 | -                         | -                                  | -                 | -                         | 7,823.1                            | 412.2             | 5.3                       | 5,210.1                            | 787.6             | 15.1                      |

*Note:*

- (1) Calculated by multiplying the designed capacity of our production machinery as of the period end by 16 operating hours per work day (including two shifts), and 300 working days per year or approximately 141 days for the six months ended June 30, 2026, as applicable. An aging-factor adjustment has been applied to such production capacity.
- (2) Being the aggregate of the Huizhou Production Base and the Ganzhou Production Base.

The production capacity across Group's production bases in Chinese Mainland (comprising the Huizhou Production Base and the Ganzhou Production Base) increased over the Track Record Period. Such increase was primarily due to the addition of new machinery to cater to increased customer demands. In particular, total winding machines in the Ganzhou Production Base increased from approximately 57 in 2023 to 86 by the end of 2024. As a result of increased customer demand and production ramp up, the total capacity utilization rate of the Group's production bases in the Chinese Mainland (comprising the Huizhou Production Base and the Ganzhou Production Base) increased from approximately 56.4% in 2023 to approximately 70.0% in 2024, to approximately 77.0% in 2025. The capacity utilization rate of the Group's production bases in Chinese Mainland decreased to approximately 73.9% in the six months ended June 30, 2026. Such decrease was primarily attributable to the addition of new production machinery for bent batteries in the Huizhou Production Base during the six months ended June 30, 2026, where such machinery had not yet reached full production capacity during the period.

By establishing one of the earlier battery cell factories in Vietnam, we aim to position ourselves as a qualified supplier of non-PRC origin products and to enhance the resilience of our global supply chain. Certain overseas customers have indicated their interests for products of non-PRC origin to diversify supply chain risks and reduce exposure to potential tariff increases or other cross-border trade restrictions affecting goods originating from Chinese Mainland. Our Vietnam production base would enable us to accommodate such requests in the future and serve as a qualified alternative-origin supplier within our end-customers' global supply chains. We do not intend for the Vietnam Production Base to replace the production capacity of our Huizhou Production Base or the Ganzhou Production Base in this regard. Rather, this is a strategic positioning that we believe will enhance our competitiveness for future overseas sales opportunities.

During the Track Record Period, the utilization rate of the Vietnam Production Base was relatively low at approximately 5.3% and 15.1% in 2025 and the six months ended June 30, 2026, respectively. This was primarily because operations at the Vietnam Production Base were principally limited to trial production, sample testing, equipment commissioning and other preparatory activities and had not commenced commercial operations at the production facility prior to Mic-Power Vietnam obtaining the requisite environmental permit. Mic-Power Vietnam has since obtained the environmental permit required for the operation of the Vietnam Production Base under applicable Vietnam environmental laws (the “**Permit**”) (No. 1288/GPMT-UBND) on May 19, 2026. For further details, see “Business — Legal Proceedings and Compliance — Environmental permit matter relating to Mic-Power Vietnam.”

## BUSINESS

The following table sets forth the production capacity, production volume, and capacity utilization rate of our module production from the Huizhou Production Base during the periods indicated:

|                   | For the year ended December 31,    |                   |                           |                                    |                   |                           |                                    |                   |                           | For the six months ended June 30,  |                   |                           |
|-------------------|------------------------------------|-------------------|---------------------------|------------------------------------|-------------------|---------------------------|------------------------------------|-------------------|---------------------------|------------------------------------|-------------------|---------------------------|
|                   | 2023                               |                   |                           | 2024                               |                   |                           | 2025                               |                   |                           | 2026                               |                   |                           |
|                   | Production Capacity <sup>(1)</sup> | Production Volume | Capacity Utilization Rate | Production Capacity <sup>(1)</sup> | Production Volume | Capacity Utilization Rate | Production Capacity <sup>(1)</sup> | Production Volume | Capacity Utilization Rate | Production Capacity <sup>(1)</sup> | Production Volume | Capacity Utilization Rate |
|                   | (kWh)                              |                   | (%)                       | (kWh)                              |                   | (%)                       | (kWh)                              |                   | (%)                       | (kWh)                              |                   | (%)                       |
| Modules . . . . . | 4,825.3                            | 617.1             | 12.8                      | 12,960.1                           | 10,344.8          | 79.8                      | 49,750.9                           | 11,934.5          | 24.0                      | 24,875.4                           | 5,015.1           | 20.2                      |

*Note:*

- (1) Calculated based on the monthly designed capacity of our production machinery, multiplied by 12 months for each year or six months for the six months ended June 30, 2026. An aging-factor adjustment has been applied to such production capacity.

The production of modules is a relatively new business for us, and the production volume of our modules fluctuated during the Track Record Period. We accepted certain batch orders for modules in 2024 resulting in a higher utilization rate in 2024. We expanded the production capacity of modules from 2023 to 2025 in anticipation of expanding our business into additional application scenarios such as the drone and robotics markets.

### *Our Advanced Equipment and Production Capabilities*

We operate a production network that covers both domestic and overseas markets, with our facilities equipped with advanced production lines and technologies to manufacture a full range of mini-size battery products, as well as related energy storage modules and packs. Our production facilities are fitted with a combination of highly automated and semi-automatic production lines, including automated winding lines, flexible prismatic battery winding lines, special laser sealing lines, and dedicated module production lines that support integrated manufacturing from battery cells to finished modules. We adopt a series of advanced technologies and equipment in our manufacturing processes, such as fully automated electrode finishing and winding integrated machines for tab winding, fiber laser welding machines for battery sealing, fully automated X-ray detectors for defect inspection, and automated stacking for prismatic battery electrode assemblies, which help us achieve production precision.

Our production relies on some of our flagship equipment, as described below:

#### *Automatic Winding All-in-One Machine*

This equipment supports the stable production of micro batteries with better consistency and higher quality. Its high precision and automation enables real-time monitoring and automatic adjustment during production, reduces manual errors, lowers production costs, and ensures every product can be fully traced for quality management.

#### *Automatic Assembly Line*

This assembly line improves production accuracy and stability for high-end micro batteries. It effectively reduces noise and quality issues during use, automatically identifies defects during production, and ensures only qualified products are delivered, meeting strict quality requirements for high-end applications.

#### *Automatic Laser Sealing Line*

This production line focuses on precise, stable and reliable battery sealing. It enables single-pass, high-quality welding of miniature cell casings and ensures consistent

## BUSINESS

welding quality, removes impurities that affect sealing performance, and conducts comprehensive inspections after sealing. This greatly improves battery safety and long-term reliability.

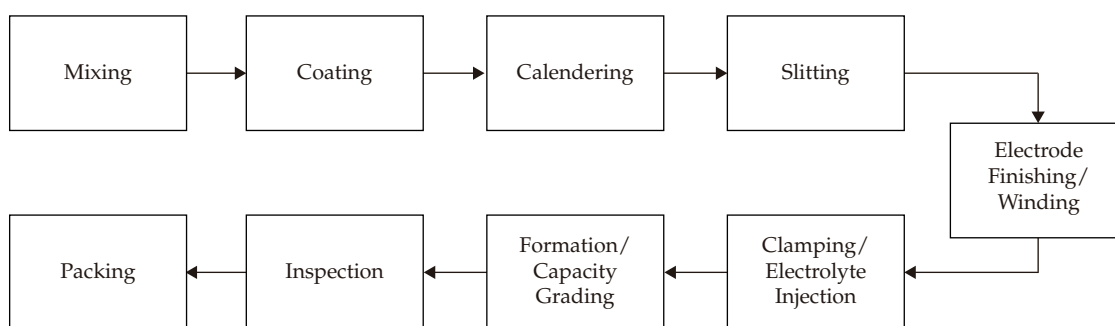
### *Industrial Computed Tomography (CT)*

This is advanced non-destructive testing equipment that checks the internal structure of batteries without damage. It accurately identifies tiny internal defects, helping to optimize production processes and ensure overall product quality and safety.

### **End-to-End Production Process**

Our production process is divided into three core stages — battery manufacturing, inspection and testing, and pack assembly — with customized production processes for each battery type to ensure quality and due delivery. We use a Manufacturing Execution System (MES) and a warehouse management system (WMS) to track every unit from raw material intake to shipment, enabling full traceability and real-time process monitoring.

### *Battery Manufacturing Process*



The battery manufacturing process generally starts with slurry preparation and proceeds through electrode making, cell assembly with electrolyte filling and sealing, and formation and post-process screening, with certain steps varying by cell type:

- ***Material Preparation (Mixing):*** We carefully mix the key raw materials used in batteries to create uniform pastes for both the positive and negative electrodes. This ensures the materials are well-blended and ready for further production.
- ***Electrode Making (Coating):*** We evenly apply the prepared pastes onto metal foils to form the positive and negative electrodes. The electrodes are then dried and inspected to ensure they meet our quality standards.
- ***Calendering (Rolling):*** We compress the dried electrodes to a consistent thickness and density, which helps improve battery performance and stability.
- ***Slitting:*** We cut the electrodes into the appropriate widths needed to make different types of batteries.
- ***Electrode Finishing and Winding (Core Formation):*** We add connecting tabs and protective materials to the electrodes, then wind them together with insulating layers to form the main internal structure of the battery.
- ***Clamping and Electrolyte Injection:*** We place the battery core into a protective casing, seal it, and inject the necessary liquid electrolyte in a controlled environment. The battery is then fully sealed to ensure safety and reliability.

## BUSINESS

- ***Formation and Capacity Grading:*** We charge the batteries to activate their internal materials and test their actual capacity. Batteries are then sorted according to their performance levels.
- ***Inspection:*** We test the batteries after aging to check their voltage stability and identify any potential defects. Unstable or defective batteries are removed to ensure only safe and reliable products are delivered.
- ***Packing:*** We assemble qualified batteries into finished products, making secure connections and adding protective components where needed. This ensures the batteries are safe, durable, and ready for use.

### ***Battery Module Production Process***

- ***Cell Sorting & Grouping:*** We use automated equipment to group batteries with similar performance together. This ensures the battery modules work steadily and consistently.
- ***Module Stacking & Bonding:*** We use automated equipment to arrange and fix batteries into module structures. Different assembly methods are used for different applications to improve safety, heat dissipation and stability.
- ***Thermal Management Integration:*** We add heat control systems to the modules to keep them working at a safe temperature and avoid overheating.
- ***Module Testing and Validation:*** We carry out strict reliability tests on the modules to check their electrical performance, temperature resistance and ability to withstand physical impacts. Only modules that pass these tests are used for final assembly:

### ***Pack Assembly Process***

Pre-tested modules are combined into complete, ready-to-use systems based on each customer's specific needs, using automated production lines and custom tools, with key steps including:

- ***Cell Sorting:*** We carefully group batteries by their performance to ensure consistency and stable operation.
- ***Module Assembly:*** We connect the batteries into modules using secure connections and fix them onto cooling structures. We also install the battery management system and necessary wiring to enable real-time monitoring of the battery pack.
- ***Housing Installation:*** We place the modules into strong, protective outer casings to keep them safe during use. Different types of protective cases are used based on customer needs and intended applications.
- ***Reliability Testing:*** We conduct functional testing on finished packs.

We engage contract manufacturers to supplement our in-house production capacity for non-core, labour-intensive packaging and simple assembly processes, while retaining all core cell design and manufacturing technologies within the Group to safeguard our key intellectual property and process know-how. Such contract manufacturers are mainly responsible for the assembly of battery cells and auxiliary materials into finished batteries for our product models with large sales volumes that do not involve complex assembly processes, especially during periods when our assembly capacity is tight.

## BUSINESS

Each contract manufacturer is required to enter into a purchase agreement, a quality control agreement and a confidentiality agreement prior to the commencement of any outsourcing arrangements. The processing fees payable to contract manufacturers are determined with reference to the estimated costs of comparable self-manufacturing processes and are subject to the principle that the outsourced processing price shall not exceed our self-manufacturing cost for similar products. The contracts are generally renewed upon expiry. However, we have the right to terminate the outsourcing arrangements early in the event of material breach, including failure to meet contractual quality, delivery, environmental, social responsibility or confidentiality obligations, and may also reduce or suspend orders in light of its own capacity utilisation, customer demand and performance of the relevant contract manufacturer.

We have established internal control procedures over our outsourcing arrangements to ensure that the assembly quality of products processed by contract manufacturers is consistent with the Group's standards. Outsourced manufacturers are required to organise their production strictly in accordance with the Group's bill of materials and process documents, and to conduct initial inspections on the first batch of products for each new model or process before mass production. Production carried out by contract manufacturers is subject to the Group's on-site supervision and quality management procedures. In addition, incoming quality control conducts random checks and testing on finished products delivered by contract manufacturers, and only products that pass such inspections are accepted and put into storage or further processing.

Such contract manufacturers are mainly located in Guangdong and Jiangxi provinces in China. During the Track Record Period, we engaged 14, 16, 23 and 23 contract manufacturers in 2023, 2024, 2025, and in the six months ended June 30, 2026, respectively. The outsourced processing costs in 2023, 2024, 2025, and in the six months ended June 30, 2026 were RMB15.5 million, RMB28.0 million, RMB43.9 million, and RMB23.0 million, respectively, representing approximately 6.2%, 8.1%, 11.4%, and 10.1% of the Group's cost of sales for the same periods. The measured increase in the use of outsourcing allows the Company to flexibly manage capacity while maintaining stringent quality and confidentiality standards. The outsourced services mainly included button battery packaging, simple assembly of battery cells and auxiliary materials and single cell pack products. Contract manufacturers are selected based on production capability, quality control system, delivery performance, confidentiality protection, cost competitiveness and compliance record. Our relationship with the contract manufacturers ranges from one to five years. To the best of the Company's knowledge, all contract manufacturers are Independent Third Parties.

The Group outsourced certain processes mainly to: (i) match specific customer requirements or delivery schedules; (ii) leverage contract manufacturers' specialised capabilities for particular products or processes; (iii) manage temporary or product-specific capacity constraints; (iv) improve production flexibility during periods of changing product mix and customer demand; and (v) address seasonal fluctuations in order volume, as during peak seasons when order volumes exceed the capacity that can be handled by the Group's internal workforce, outsourcing these processes enables the Group to fulfill customer orders in a timely manner without the need to recruit and train additional temporary labour, whereas during off-peak periods the Group's existing workforce is sufficient to complete such processes internally. The outsourced processes are primarily back-end auxiliary tasks which are characterised by low technical requirements and simple operations, but which require a significant amount of manual labour. Given the labour-intensive nature of such processes, the Directors consider that outsourcing these tasks to contract manufacturers represented a more cost-effective and operationally efficient approach than deploying the Group's internal resources, which could be better allocated to higher value-added production activities. The Directors consider that such arrangements allowed the Group to allocate internal resources more efficiently and respond flexibly to customer requirements.

The salient terms of typical agreements with contract manufacturers include a contract duration of approximately 24 months. The pricing is based on a fixed settlement

## BUSINESS

price as agreed by the parties in written orders, and payments are generally made by monthly instalments. Products are delivered to the location designated by the Company in accordance with the delivery schedule specified in the Company's purchase orders. The contract manufacturers are responsible for repairing, reworking or otherwise addressing defective or non-conforming products confirmed by the Group, and are liable for losses caused by quality issues, improper handling of materials or failure to comply with agreed specifications.

### *Quality Testing & Shipment*

All of our products undergo multi-stage testing before shipment, including:

- *Incoming Quality Control (IQC)*: Raw materials are tested for purity, structural dimension accuracy, and electrical performance.
- *In-Process Quality Control (IPQC)*: Every key process parameters (e.g., coating thickness, sealing temperature) are monitored in real time, with X-ray scans to detect internal defects (e.g., electrode misalignment) in cells.
- *Outgoing Quality Control (OQC)*: Finished products are tested for appearance, capacity, and safety (such as drop, short-circuit and thermal abuse). A designated amount of sample from of each batch is subjected to ORT reliability testing to validate performance and lifespan.

## OUR TECHNOLOGY

Our core technological advantages in mini-size lithium-ion batteries are deeply integrated with certain primary battery types we offer — button (micro/ultra-micro), cylindrical, and prismatic and bent batteries, as well as solid-state/semi-solid state battery solutions. Each battery type is designed with innovations tailored to our end-customers' application scenarios, meeting needs from high-safety, long-life hearing aids to high-power robots and drones, while meeting global standards for safety, reliability, and practicality.

### **Core Technologies by Battery Type**

#### *Button Batteries (Micro and Ultra-micro)*

As a flagship product line, button batteries are engineered to solve three core industry pain points for miniaturized devices — delivering high capacity in limited space together with high safety for close-to-body use, minimizing noise and electromagnetic interference to precision components, and mitigating shortened lifespan under high-frequency use. We have implemented targeted technical optimizations for our metal-cased categories.

- *Patented Dual-Safety Design and High-Precision Laser Sealing*

Our metal button batteries have a dual safety design to prevent fires or explosions in extreme heat or pressure. The main safety feature is a patented crimping structure that creates a pressure-release path: the battery's cap and case are tightly sealed, and when internal pressure hits  $2\text{ MPa} \pm 1\text{ MPa}$ , the seal opens automatically to release gas and avoid rupture. We also use a heat-sensitive seal ring that shrinks at  $170^{\circ}\text{C} \pm 20^{\circ}\text{C}$ , creating a second pressure-release path. This dual protection has passed many extreme heat tests and thermal stability tests that are stricter than the industry average, making them safe for tough use cases.

- o *Volumetric Energy Density Optimization* – We use 0.15 mm ultra-thin caps (compared to traditional 0.5 mm) and laser sealing to eliminate extra space, making room for more energy-storing materials.

## BUSINESS

- o *Directional Winding and Electromagnetic Interference Suppression* – For micro batteries, we use precise winding technology to control the position of the battery's connecting tabs (tension fluctuation  $\leq \pm 0.5$  N, tab angle accuracy  $\pm 5^\circ$ ) which reduces electrical interference, making the batteries work well with sensitive devices like headphones and precision sensors.
- *Ultra-Micro Button Battery: Long-Cycle, Long-Runtime Medical Battery for Hearing Aids*

To meet the need for continuous power during long wear for hearing aids, and medical-grade reliability, we developed an ultra-long-life electrochemical system and manufacture it under strict temperature and humidity control. At  $23 \pm 2^\circ\text{C}$ , the battery maintains at least 80% of its capacity after 1,500 deep charge-discharge cycles, supporting a service life of up to 5 years. This exceeds the national standard of 1,000 cycles.

We launched the M5850 ultra-micro button battery (diameter 5.8 mm  $\times$  thickness 5.0 mm), setting a new smallest-size record for rechargeable lithium-ion button batteries at the time of its launch on July 1, 2024. The ultra-small size can reduce overall hearing-aid dimensions.

### *Cylindrical Batteries*

Cylindrical batteries are designed for high-power, long-runtime application scenarios such as smart glasses, styluses, and handheld medical devices like portable oxygen concentrators. The technical focus is to lower internal resistance and reduce heat generation at high C-rates to meet frequent-use needs.

- *Metal Cylindrical Batteries: High-Precision Winding and Innovative Anode System*
  - o *High-precision winding technology.* Metal cylindrical batteries use high-precision automated winding, keeping layer alignment within  $\pm 0.1$  mm. This increases the cathode's effective reaction width, raises active-material utilization and increases battery capacity.
  - o *Silicon-carbon composite anode innovation.* By incorporating 10% to 15% silicon into the silicon-carbon composite anode, we have overcome the capacity bottleneck of conventional graphite only anodes. Compared with pure graphite anodes, this innovation delivers a 13% to 18% increase in capacity and drives a more than 8% improvement in volumetric energy density.
  - o *High-rate fast-charge and discharge system.* Our batteries support 5C charging and 10C high-rate discharging. At  $25 \pm 2^\circ\text{C}$ , they reach at least 80% capacity in 10 minutes of 5C charging, and retain at least 90% capacity under 10C discharge.

### *Prismatic Batteries*

A high-capacity, high-safety alternative to traditional pouch batteries, tailored for application scenarios such as smart glasses, smart watches, and smart toys. They use an integrated metal casing instead of the extra seals found in pouch batteries, making better use of internal space.

With the same overall package volume, active material fill increases by 8%–10%, directly raising capacity by about 10%. If capacity is kept the same, the battery thickness can be reduced by 0.8–1.0 mm to support thinner wearable designs. At the same time, the metal casing also improves thermal conductivity.

## BUSINESS

### ***Bent Batteries***

We developed bent battery technology to fit curved, ultra compact wearables such as smart rings and sensors, where flat batteries cannot be used. This technology has received a design-win from a leading European smart-ring company.

- *Winding Process vs Stacking Process.* Traditional curved battery makers use a stacking process. It is complex, and each electrode sheet requires its own current collector. Our winding method uses fewer non-active parts than traditional stacking, freeing up 8%–10% more space for energy materials and boosting capacity density.
- *In-House Winding Equipment and Scaled Manufacturing.* Our self-developed automated production ensures high precision and stability, with electrode alignment within  $\pm 0.15$  mm. The fully automated line achieves high throughput and yield above 98.5%, enabling mass production with consistent quality and lower cost.
- *Liquid-Cooled Synchronous Sealing: Low Damage with High Reliability.* Our high-speed, liquid-cooled sealing process minimizes heat damage to the battery. The heat-affected zone is kept within 0.3 mm preventing electrolyte decomposition and electrode structure damage, and internal resistance is 15%–20% lower than traditional heat-sealing.
- *Ultra-Narrow Edge Seal and Miniaturized Structure.* Our precision process achieves an ultra-narrow seal of 0.75 mm, 0.15–0.25 mm narrower than standard products. This creates 6%–8% more space for active materials and boosts capacity, supporting extremely small sizes for smart rings.

### ***Solid-State Batteries***

We achieved commercialization of the world's first mini-size solid-state batteries in January 2024 that addresses the safety and energy density limitations of traditional liquid-electrolyte lithium-ion batteries. Solid-state batteries are not a distinct form factor of batteries, but rather a more advanced battery technology classified by the state of the electrolyte used. This technological framework can be applied to batteries of various physical forms, including the mini-size batteries developed by us.

Solid-state batteries replace liquid electrolytes with two proprietary solutions: in-situ polymeric electrolytes (mass-produced since 2024 third quarter) and flame-retardant gel electrolytes (scheduled for launch in 2027). The in-situ polymeric electrolyte is formed by polymerizing a liquid precursor inside the battery, creating a solid, flexible matrix that eliminates leakage risks. The flame-retardant gel electrolyte includes a phosphorus-based additive that suppresses combustion, even if the battery is punctured. Both have passed high temperature safety tests (130~250°C) with no fire or explosion and can still charge and discharge steadily at 100°C.

### **Long-Term R&D Roadmap Across Battery Platforms**

Our long-term R&D strategy focuses on leveraging core technologies across product lines, meeting regulatory and customer requirements, and advancing technological breakthroughs, with R&D tightly aligned to production and quality to support scalable commercialization. Building on proven innovations — such as patented full laser sealing for steel-case button batteries, wound bent-battery technology and polymer-electrolyte solid-state technology — we aim to translate application driven development into high-quality, efficient mass production.

For button batteries, we are pursuing performance upgrades and compliance: by 2026 we plan to adopt more advanced high-precision fiber-laser sealing to increase micro button-battery energy density by over 20% (e.g., M1254X targeting 108 mAh vs. 90 mAh),

## BUSINESS

supported by extensive cycle testing and UL-aligned safety validation, and by 2027 we plan to launch an ultra-micro, fully recyclable hearing-aid battery to meet EU replaceable-battery requirements and extend life from 5 to 7 years.

For bent batteries, we are developing a metal-cased "battery casing-product casing" integrated design to reduce structural increase active-material loading, targeting ~30% higher volumetric energy density and verifying end-device fit in 2026 ahead of commercialization in wearables and smart medical devices.

For cylindrical and prismatic batteries, we are adopting stacked or multi-tab structures combined with laser sealing to reduce resistance and enable high-rate performance, targeting 8C charging and 15C discharging by 2027, and we are increasing silicon content in silicon-carbon anodes to 30%–35% to achieve ~20% higher capacity while managing volume expansion.

Building on our commercialization of solid-state batteries in 2024, we plan to mass-produce flame-retardant gel electrolytes in 2026 to increase energy density by ~20% and extend cycle life to ~1,500 cycles, and to launch a lithium-metal solid-state battery around 2028 targeting 900 Wh/L and 400 Wh/kg for low-altitude aircraft and robotics, supported by >1,000-cycle validation. We also expect such technology development to support application scenarios including drones and robotic platforms that require high energy density, extended cycle life, rapid charging and enhanced safety performance.

### OUR QUALITY CONTROL SYSTEM

We maintain a full-lifecycle quality control system, with a focus on safety, reliability, and compliance. Our quality management framework is certified to ISO 9001, ISO 13485 (medical devices), and QC 080000 (hazardous substance control), and we adhere to global standards such as UL 1642, IEC 62133, and GB 31241 to ensure our products meet regional requirements.

#### Quality Management System & Certifications

Our quality management system (QMS) is built around four core principles: prevention, traceability, continuous improvement, and customer service. The QMS is overseen by a dedicated Quality Department (led by a quality manager with 15 years of battery industry experience) and supported by cross-functional teams. Key components of QMS include:

- *Supplier Quality Management:* Suppliers are audited annually. New suppliers undergo a 3-month qualification period, during which samples are tested for conformity and reliability.
- *Process Standardization:* We maintain detailed standard operating procedures (SOPs) for every production step, with regular training to ensure compliance. Process changes are validated through pilot runs and risk assessments.
- *Hazardous Substance Control:* We comply with RoHS, REACH, and California Prop 65, with incoming tests for restricted substances (e.g., lead, mercury, chromium and cadmium) using X-ray fluorescence (XRF) analyzers.

## BUSINESS

### Multi-Layered Inspection & Testing

We implement a “three-level inspection” mechanism — Incoming Quality Control (IQC), In-Process Quality Control (IPQC), and Outgoing Quality Control (OQC) — to identify and address quality issues at every stage. Safety testing is a priority, with type-specific tests designed to mitigate the risks of thermal runaway, leakage, and mechanical failure.

#### *Safety Testing*

All finished products undergo rigorous safety testing to ensure they can withstand real-world conditions, with certain tests tailored to battery type:

- *Button Batteries:*
  - o Explosion safety testing: This test is designed to validate the structural integrity of the cell’s crimped seal. During the test, internal pressure is gradually increased to  $2\text{MPa} \pm 1\text{MPa}$ , verifying the seal’s ability to release pressure safely; the pass criteria require no explosion and that any built-up gas is released within 5 seconds to prevent structural failure.
  - o Hot plate test: This evaluation mimics extreme temperature exposure scenarios to ensure button batteries remain safe in daily operation. Cells are placed on a preheated hot plate maintained at  $220^{\circ}\text{C}$  and held for 30 minutes; the test passes only if there is no fire, no explosion, and no visible degradation of the cell’s outer casing.
  - o Short-circuit test: After the battery is fully charged, it is placed in an environment at  $57^{\circ}\text{C} \pm 4^{\circ}\text{C}$ . It is further maintained at such temperature for an additional 30 minutes. After ensuring the total external resistance is  $80\text{ m}\Omega \pm 20\text{ m}\Omega$ , we monitor the temperature and terminate the test when either: (a) the battery temperature drop reaches 20% of the maximum temperature; or (b) the short-circuit duration reaches 24 hours (the stricter criterion shall apply in case of uncertainty). The battery passes the test only if it does not explode nor ignite during the test.
- *Cylindrical Batteries:*
  - o Drop test: Replicating real-world impact events common with IoT wearable devices. We drop a cylindrical battery from a height of 1.2 meters onto a hard concrete surface repeatedly. To pass, the battery must not explode nor ignite post-impact.
  - o Crush test: Evaluating resistance to external pressure, this test applies approximately 13KN force to the cylindrical battery. To pass, there must be no explosion nor ignition.
- *Prismatic Batteries:*
  - o Thermal cycling test: During the thermal cycling tests, the prismatic batteries are cycled 10 times between  $72^{\circ}\text{C}$  and  $-40^{\circ}\text{C}$ , a cycle holds the cell for 6 hours at each of the temperature levels. This test is conducted in accordance with the GB/T 2423.22 national standard. To pass, the cell must not explode, nor ignite, and there must not be electrolyte leakage.

## BUSINESS

- o Vibration test: Mimicking continuous vibration forces in high-movement applications, prismatic batteries are subjected to vibration at a certain range of frequencies for 3 hours. To pass, the cell must not explode, nor ignite, and there must not be electrolyte leakage.
- *Solid-State Batteries*:
  - o Thermal abuse test: Reflecting the higher thermal stability requirements of solid-state technology, this test exposes cells to extreme heat (130°C) for 0.5 hour, far beyond the thermal limits of traditional lithium-ion cells. The test passes only if there is no fire, no explosion, and no breakdown of the solid electrolyte.
  - o Nail penetration test: Validating the cell's resistance to physical damage, a 2.5mm-3.0mm-diameter nail is driven through the center of the solid-state cell at a controlled speed. The test passes only if there is no explosion and no ignition — key safeguards to prevent safety hazards in real applications.

## RAW MATERIALS AND INVENTORY MANAGEMENT

### Raw Material Procurement & Management

We source raw materials from a network of qualified suppliers, prioritizing stability, quality, and cost efficiency to support our production. Our procurement process is managed by a cross-functional team that evaluates suppliers based on technical capability, equipment readiness, financial stability, and compliance with environmental and social standards.

#### *Core Raw Materials & Supplier Partnerships*

Our raw materials are categorized into chemical materials, structural components, and auxiliary parts, with key suppliers and applications as follows:

- *Cathode Materials*: We primarily use lithium cobalt oxide (LCO) and nickel-cobalt-manganese (NCM) cathodes. LCO cathodes are used in button and cylindrical batteries for their high energy density, while NCM cathodes are reserved for cylindrical batteries requiring higher power output.
- *Anode Materials*: Graphite anodes (for standard batteries) are procured under long-term supplier contracts, ensuring consistent supply and price stability. Silicon-carbon composite anodes (for high-energy-density batteries) are procured from specialized suppliers, with doping levels tailored to specific battery types.
- *Structural Components*: We adopt ultra-thin, high-strength metal steel casings for button batteries, certain prismatic batteries and certain cylindrical batteries; for prismatic pouch batteries, cylindrical pouch batteries and other battery types, we use aluminum-plastic films
- *Auxiliary Parts*: We employ ultra-thin, flexible tabs and high-conductivity connecting wires, thus ensuring the rate performance and fast-charging capability of the batteries

## BUSINESS

### *Procurement Processes & Inventory Management*

We have standardized end-to-end warehousing, logistics and inventory procedures, from material receipt and stock-in to returns of manufacturing materials and finished goods delivery. Supported by regular procedure updates, internal publication, and staff training to ensure compliance and timely anomaly reporting. Inventory locations are tracked to improve efficiency and achieve full traceability, with step-by-step verification, cycle counts and annual stocktakes, plus ongoing monitoring of slow-moving items; qualified logistics providers support safe and timely deliveries. The Group primarily engages independent third-party logistics providers for the transportation and delivery of its products to end customers, pursuant to standard logistics service agreements typically on an annual renewable basis. Under these arrangements, title to and risk in the products generally pass to the end customer upon delivery and signing of the delivery note at the customer's premises, confirming receipt in satisfactory condition. During transit, the logistics providers bear responsibility for any loss, damage or delay to the products and are contractually obligated to compensate the Group for the amount of such loss, with the Group bearing responsibility only for product quality issues inherent prior to handover to the logistics provider. The fees payable to the Group's logistics providers are generally determined based on quotation schedules provided by each provider, which may be adjusted from time to time to reflect changes in market conditions. For certain domestic logistics services, fees are charged in accordance with the provider's published standard pricing schedule. For cross-border logistics services, fees are quoted on an all-inclusive, tax-inclusive basis covering transportation, insurance and all related costs, with a contractual commitment to offer the Group the most favorable pricing available for the PRC region. Payment terms vary by provider and service type. For domestic logistics providers, payment is typically settled on a monthly basis with a credit period of 30 days after the end of each billing cycle. For cross-border logistics services, payment is due within 90 days from the date of customs declaration filing, with settlement made within 10 working days upon receipt of invoice. The logistics providers are required to maintain adequate cargo insurance coverage during transit to cover potential losses up to the full invoice value of the products.

The Group has established a comprehensive internal control system covering the entire logistics process, with safety and compliance, clear responsibilities, closed-loop processes, and controllable risks as its core principles. This system rigorously manages all aspects of logistics and customs clearance, through carrier qualification requirements, compliance assessments for dangerous goods transportation, and standardized packaging and warehousing management. Clear division of labor and approval authority among departments are defined, and multiple verification processes, including quotation review, document verification, and electronic customs declaration filing, are implemented to ensure document consistency, cargo consistency, and process traceability. A mechanism for full-process on-the-go tracking, arrival receipt archiving, and emergency response is established to promptly address risks such as transportation delays, customs inspections, and cargo damage. Furthermore, the implementation of these systems is incorporated into training and performance evaluations, and customs declaration files are retained for at least 5 years.

During the Track Record Period, the Group has not experienced any material delays, loss, or disruptions attributable to logistics providers.

For procurement, we run competitive bidding for materials purchased over RMB1.0 million (with at least three qualified vendors) and use 1-3 year contracts with fixed price bands for specialized materials to manage volatility. The fixed price bands refer to pre-agreed price ranges, comprising both an upper bound and a lower bound, within which the contract price may be adjusted based on market price movements of the relevant raw materials during the contract term. They do not refer to a single fixed price or a price cap. This mechanism provides both parties with price predictability while allowing limited flexibility to reflect fluctuations in raw material prices. We enter into

## BUSINESS

such one- to three-year procurement contracts primarily to (i) secure a stable supply of specialized materials with limited alternative sources; (ii) achieve cost predictability for our production planning; and (iii) strengthen our relationships with key suppliers to help secure priority allocation during periods of tight supply. These contracts do not impose any minimum purchase commitments or exclusivity obligations on our Group, and our purchase volume in any given period is determined based on our actual production needs. According to CIC, one- to three-year procurement contracts with fixed or range-bound pricing for specialized raw materials are common practice among lithium-ion battery manufacturers. Payment terms vary by supplier (including 30% advances for new suppliers, COD for small orders, and 30/60/90/120-day settlements for established partners). Equipment purchases follow a “3241” schedule (30%/20% /40%/10% with a 12-month quality holdback). Raw materials are typically managed on a 24 week cycle with strict controls to avoid overstock, and real-time ERP/BI monitoring integrated with production planning to trigger replenishment when inventories fall below safety thresholds.

## RESEARCH AND DEVELOPMENT

### R&D Investment

We adhere to R&D leadership as the cornerstone of our business, and adopt a long-term strategy of investing no less than 10% of our annual operating income in R&D expenses. Our recent R&D expenses were RMB38.1 million in 2023, RMB54.3 million in 2024, RMB93.5 million in 2025, and RMB47.9 million in the six months ended June 30, 2026, respectively.

The increase in our R&D expenses in 2025 was mainly attributable to our decision to strengthening our technical capabilities across multiple dimensions, including (i) improving the fundamental performance of our battery platforms, (ii) upgrading battery preparation and manufacturing methods, and (iii) developing batteries for new application scenarios and new form factors. In particular, our major R&D efforts in 2025 included projects relating to curved batteries for smart rings, high-temperature long-cycle battery systems and storage-life improvement, full laser-welding and fully sealed battery technologies, detachable battery projects and medium- to large-sized stacked pouch battery projects intended for drone and other emerging applications. These projects resulted in higher personnel costs, materials consumption, depreciation and other supporting R&D expenses in 2025.

Although such R&D expenses are incurred upfront during the product development stage, we are generally able to recover these investments through subsequent commercial sales once the relevant products achieve mass production for the applicable customer. Accordingly, our R&D investment supports both technological advancement and future revenue generation. We believe these investments are consistent with our long-term strategy of sustaining technological leadership and expanding into higher-value application scenarios.

### R&D Model

We have established a R&D model dominated by independent R&D and supplemented by external cooperation. We generally adopt a fully independent R&D model for product R&D and engineering technology development, and cooperate with renowned universities on thematic research in materials R&D. This approach not only maintains the advanced nature of our technologies, but also ensures the independence of our products.

### R&D System

Our R&D system comprises three core modules: the Research Institute, the Product R&D Center and the Engineering Technology Center. Among them, the Research Institute:

## BUSINESS

focuses on the R&D of battery materials, including cathode materials, anode materials, electrolytes and separators. Through the R&D of various materials and the formulation of optimized combination schemes, it achieves battery performance such as high voltage, high energy density, high safety and long cycle life. The Product R&D Center’s primary function is to develop high-performance batteries for various smart products based on the form factors and application scenarios of end products. The Engineering Technology Center focuses on developing advanced equipment and manufacturing processes to enable us to mass-produce high-quality specific products efficiently. By establishing the aforementioned R&D system, we ensure the orderly conduct of our overall R&D activities, continuously roll out new battery chemical systems and battery products, and effectively realize large-scale production.

### R&D Facilities

We set up our R&D centers in Huizhou, Guangdong in 2018 and in Anyuan, Jiangxi in 2021. Among them, the Huizhou R&D center serves as our R&D headquarters and main base, covering approximately 2,000 square meters of R&D premises and laboratories, with main R&D directions including materials R&D, steel-shell button batteries, flexible batteries, detachable batteries and portable energy storage battery modules; the Anyuan R&D center focuses on pouch batteries, drone batteries, cylindrical batteries and other related directions. As of the Latest Practicable Date, the R&D facilities and related staff accommodation at both our Huizhou and Ganzhou locations are situated on leased premises. For details of our plans to construct self-owned R&D headquarters and staff accommodation, see “Future Plans and [REDACTED]”. Our laboratory in Huizhou provides full-chain testing from materials to finished batteries. We conduct safety tests such as overcharge, short-circuit, nail penetration and extrusion tests, and perform electrochemical performance tests on capacity, charge cycle life, rate capability and low-temperature performance. Our Huizhou laboratory was awarded the title of Key Laboratory of Huizhou City in 2025. Our R&D headquarters has been recognized as a Guangdong Provincial Technology Center, and our Anyuan R&D center has been honored as a Jiangxi Provincial Technology Center.

### R&D Team

As at the Latest Practicable Date, our R&D team has 406 personnel, with professional expertise spanning materials science, electrochemistry, structural design and automation. The core members of the R&D team have an average of eight to 15 years of industry experience, ensuring the stable and efficient progress of technological R&D. Furthermore, we recruit outstanding graduates from key universities every year for training, forming a solid echelon of technical talents.

During the Track Record Period, Mr. Chen Zhiyong, our chairman of the Board and executive Director, was primarily responsible for overseeing our R&D department. The day-to-day management of our R&D department was undertaken by Mr. Chen Zhiyong from January 2023 to March 2023, and thereafter by Mr. Tong Jian from March 2023 to December 2025, following which he retired and assumed a consultancy role within the Group. As of the Latest Practicable Date, Ms. Fan Yanan serves as the head of the R&D department. In addition, Mr. Luo Weiguang served as the intellectual property engineer of the R&D department throughout the Track Record Period. The relevant personnel coordinated the work of the Research Institute, Product R&D Center and Engineering Technology Center, and oversaw product development, technology iteration, intellectual property clearance and risk review at key stages of product development and commercialization.

### Intellectual Property Rights

We attach great importance to the independence and autonomy of intellectual property rights. We maintain a record of filing numerous new intellectual property right

## BUSINESS

applications each year/period during the Track Record Period. As of the Latest Practicable Date, we have accumulated more than 700 intellectual property right applications. In 2022, we were awarded the title of Enterprise with Advantages in National Intellectual Property.

### Key Technological Achievements

We have developed our self-developed three-point sealing and structural safety technology. This technology activates multiple protection mechanisms under extreme conditions such as overheating or short-circuit, achieving zero fire and zero explosion incidents, and has become a key factor for us to access the global corporate supply chain.

By improving the formulations of cathode materials, electrolytes and anode materials, we have increased the energy density by more than 40%. Our automated metering and intelligent monitoring systems reduce process errors and improve product consistency, and these upgrades provide support for high-quality mass production.

Our laboratories provide full-chain testing from materials to finished batteries. We conduct safety tests including overcharge, short-circuit, nail penetration and extrusion tests, and carry out electrochemical performance tests on capacity, charge cycle life, rate capability and low-temperature performance. Meanwhile, we utilize scanning electron microscope (SEM), inductively coupled plasma spectrometer (ICP) and electrochemical workstation for materials analysis. These capabilities help us meet strict safety standards.

For further information, see “— Our Technology”.

### Academia collaboration

Such academia collaboration projects are principally for research and development support. The detailed scope of each project is set out in the relevant collaboration agreement and is generally determined based on specific technical issues encountered in our product development, manufacturing process optimization, quality control or performance enhancement efforts. Project scopes are typically divided into several stages, with each stage specifying the relevant research objectives, testing or simulation work, milestone deliverables and final technical reports or acceptance procedures.

In particular, we have entered into several collaboration arrangements with Central South University in relation to lithium-ion battery technologies, including research on the mechanism by which trace moisture affects battery performance, the causes and mechanisms of storage degradation, and electrode potential distribution and optimization during charge and discharge cycles. The contractual terms for our typical academia collaboration range from approximately 12 months to 24 months, and may be extended while fees range from approximately RMB0.6 million to RMB1.2 million. Such fees are payable by us in instalments according to project progress, generally comprising an initial payment upon signing, further payments upon completion of agreed interim milestones, and final payment upon project completion.

Under these arrangements, our Group generally provides research funding, battery samples, product specifications, process parameters, relevant production and testing conditions and technical liaison support. The academic institutions are generally responsible for proposing the research plan, carrying out laboratory testing, technical analysis, numerical simulation or other research work, and preparing interim reports, testing reports and final technical reports. Unless otherwise agreed, each party generally retains ownership of the fixed assets, equipment and materials it provides or purchases, while technical materials generated or exchanged during the collaboration are generally shared between the parties.

## BUSINESS

Such agreements also typically contain confidentiality obligations covering agreed confidential technical information during the project term and for a specified period after project completion, commonly two years. In respect of intellectual property, the parties generally share patent application rights in respect of collaboration results, with our Group being designated as the first patent right holder and having the right to use the resulting patent achievements. Academic institutions are generally granted priority in academic publication or research achievement application, subject to compliance with confidentiality requirements and protection of our commercial and technical interests. Subsequent improvements or derivative technologies developed based on the collaboration results are generally owned by the party completing such improvements, while our Group typically has a priority right to acquire or use such improved technologies on comparable terms.

These arrangements do not typically involve any cost sharing, funding or reimbursement by our customers, and the relevant research costs are borne by our Group. Accordingly, payments made to academic institutions, together with internal costs incurred by us in providing samples, testing conditions and technical support, are recognized as research and development expenses in our consolidated statements of profit or loss when incurred. No revenue or customer reimbursement was recognized in connection with these collaboration projects during the Track Record Period. Such academia collaboration projects did not directly contribute revenue during the Track Record Period, but we believe that they have strengthened our technological capabilities, process optimization and quality control, thereby enhancing our long-term competitiveness.

### OUR CUSTOMERS

#### Our Customers

During the Track Record Period, our primary customers include leading domestic and international OEMs and ODMs.

The following table sets forth the background information of our five largest customers for each period during the Track Record Period.

## BUSINESS

For the six months ended June 30, 2026

| Customer               | Background                                                                                                                                                                                                                                                                                             | Revenue<br><i>(RMB in thousands)</i> | Percentage<br>of total<br>revenue | Major products/<br>services purchased<br>from us             | Location of<br>headquarters | Year of<br>commencement<br>of business<br>relationship |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------|--------------------------------------------------------------|-----------------------------|--------------------------------------------------------|
| 1. Customer A . .      | A company established in 2004 in Shenzhen. It is primarily engaged in electronic products, communication equipment and wearable smart devices. Through its operating business, it focuses on acoustic products and is known for bone-conduction headphones, while also expanding into smart wearables. | 42,786                               | 12.7%                             | Button batteries, prismatic batteries, cylindrical batteries | China                       | 2023                                                   |
| 2. Customer B . .      | A company established in 2013 in Shenzhen. It is primarily engaged in the R&D and design of acoustic earphones and related smart hardware and software. Its products include true-wireless, over-ear and open-ear earphones, audio equipment and smart wearable products.                              | 27,859                               | 8.3%                              | Button batteries, prismatic batteries, cylindrical batteries | China                       | 2022                                                   |
| 3. Customer C . .      | A Shanghai Stock Exchange-listed company established in 2005. It is primarily engaged in providing intelligent hardware services, covering smartphones, tablets, laptops, smart wearables, AIoT, data-center products and automotive electronics.                                                      | 26,045                               | 7.7%                              | Button batteries, prismatic batteries                        | China                       | 2023                                                   |
| 4. Customer D . .      | A company established in 1975 in Taiwan, China. It is primarily engaged in the manufacturing of electroacoustic products, including earphones, speakers, microphones, hearing aids and batteries.                                                                                                      | 24,914                               | 7.4%                              | Button batteries, prismatic batteries, cylindrical batteries | China                       | 2019                                                   |
| 5. Customer E . .      | A company established in 1869 in Denmark. It is primarily engaged in intelligent hearing, audio, video and gaming solutions.                                                                                                                                                                           | 24,361                               | 7.2%                              | Button batteries and prismatic batteries                     | Denmark                     | 2019                                                   |
| <b>Total . . . . .</b> |                                                                                                                                                                                                                                                                                                        | <b>145,966</b>                       | <b>43.3%</b>                      |                                                              |                             |                                                        |

## BUSINESS

**For the year ended December 31, 2025**

| Customer                       | Background                                                                                                                                                                                                                   | Revenue<br><i>(RMB in thousands)</i> | Percentage<br>of total<br>revenue | Major products/<br>services purchased<br>from us             | Location of<br>headquarters | Year of<br>commencement<br>of business<br>relationship |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------|--------------------------------------------------------------|-----------------------------|--------------------------------------------------------|
| 1. Customer F . .              | A company established in 2015. It is primarily engaged in the R&D, production and sales of consumer electronics, including wireless audio, smart wearables, bone conduction devices and microphones.                         | 70,054                               | 12.4%                             | Button batteries, prismatic batteries, cylindrical batteries | China                       | 2019                                                   |
| 2. Customer C . .              | A Shanghai Stock Exchange listed company established in 2005. It is primarily engaged in providing intelligent hardware services, covering smartphones, tablets, laptops, smart wearables, AIoT, and automotive electronics. | 55,368                               | 9.8%                              | Button batteries, prismatic batteries                        | China                       | 2023                                                   |
| 3. Customer D . .              | A company established in 1975 in Taiwan, China. It is primarily engaged in the manufacturing of electroacoustic products, including earphones, speakers, microphones, hearing aids and batteries.                            | 50,951                               | 9.0%                              | Button batteries, prismatic batteries, cylindrical batteries | China                       | 2019                                                   |
| 4. Customer E <sup>(1)</sup> . | A company established in 1869. It is primarily engaged in advanced hearing healthcare solutions.                                                                                                                             | 38,269                               | 6.8%                              | Button batteries                                             | Denmark                     | 2019                                                   |
| 5. Customer G . .              | A company established in 2016. It is primarily engaged in the R&D, manufacturing and sales of lithium battery packs, power adapters and energy storage products.                                                             | 34,599                               | 6.1%                              | Button batteries                                             | China                       | 2018                                                   |
| <b>Total</b>                   |                                                                                                                                                                                                                              | <b>249,241</b>                       | <b>44.1%</b>                      |                                                              |                             |                                                        |

## BUSINESS

For the year ended December 31, 2024

| Customer                       | Background                                                                                                                                                                                                                   | Revenue<br>(RMB in thousands) | Percentage of total revenue | Major products/ services purchased from us                   | Location of headquarters | Year of commencement of business relationship |
|--------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------------------|--------------------------------------------------------------|--------------------------|-----------------------------------------------|
| 1. Customer F . .              | A company established in 2015. It is primarily engaged in the R&D, production and sales of consumer electronics, including wireless audio, smart wearables, bone conduction devices and microphones.                         | 78,456                        | 14.7%                       | Button batteries, prismatic batteries, cylindrical batteries | China                    | 2019                                          |
| 2. Customer G . .              | A company established in 2016. It is primarily engaged in the R&D, manufacturing and sales of lithium battery packs, power adapters and energy storage products.                                                             | 46,597                        | 8.7%                        | Button batteries                                             | China                    | 2018                                          |
| 3. Customer H . .              | A company established in 2011 and is currently listed on the Shenzhen Stock Exchange. It is primarily engaged in intelligent hardware, covering charging and energy storage, smart innovation, and audio-video products.     | 41,174                        | 7.7%                        | Button batteries, prismatic batteries, cylindrical batteries | China                    | 2019                                          |
| 4. Customer E <sup>(1)</sup> . | A company established in 1869. It is primarily engaged in advanced hearing healthcare solutions.                                                                                                                             | 38,232                        | 7.2%                        | Button batteries                                             | Denmark                  | 2019                                          |
| 5. Customer C . .              | A Shanghai Stock Exchange listed company established in 2005. It is primarily engaged in providing intelligent hardware services, covering smartphones, tablets, laptops, smart wearables, AIoT, and automotive electronics. | 37,387                        | 7.0%                        | Button batteries, prismatic batteries                        | China                    | 2023                                          |
| <b>Total</b>                   |                                                                                                                                                                                                                              | <b>241,846</b>                | <b>45.4%</b>                |                                                              |                          |                                               |

## BUSINESS

**For the year ended December 31, 2023**

| Customer                     | Background                                                                                                                                                                                                               | Revenue<br><i>(RMB in thousands)</i> | Percentage<br>of total<br>revenue | Major products/<br>services purchased<br>from us             | Location of<br>headquarters | Year of<br>commencement<br>of business<br>relationship |
|------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------|--------------------------------------------------------------|-----------------------------|--------------------------------------------------------|
| 1. Customer G <sup>(3)</sup> | A company established in 2016. It is primarily engaged in the R&D, manufacturing and sales of lithium battery packs, power adapters and energy storage products.                                                         | 73,651                               | 21.0%                             | Button batteries                                             | China                       | 2018                                                   |
| 2. Customer I <sup>(2)</sup> | A company established in 2007 in Taiwan, China. It is primarily a trading intermediary that acts as an agent for the sale of domestic and international electronic components and circuit modules.                       | 40,096                               | 11.4%                             | Button batteries                                             | China                       | 2021                                                   |
| 3. Customer H                | A company established in 2011 and is currently listed on the Shenzhen Stock Exchange. It is primarily engaged in intelligent hardware, covering charging and energy storage, smart innovation, and audio-video products. | 31,324                               | 8.9%                              | Button batteries, prismatic batteries, cylindrical batteries | China                       | 2019                                                   |
| 4. Customer J                | A company primarily engaged in providing electronics contract manufacturing services, and providing design, creation, transportation and maintenance solutions.                                                          | 19,963                               | 5.7%                              | Button batteries, cylindrical batteries                      | Singapore                   | 2021                                                   |
| 5. Customer K                | A company established in 2019. It is primarily engaged in the R&D, manufacturing and cross-border e-commerce sales of 3C digital accessories and energy storage products.                                                | 16,596                               | 4.7%                              | Modules                                                      | China                       | 2022                                                   |
| <b>Total</b>                 |                                                                                                                                                                                                                          | <b>181,630</b>                       | <b>51.7%</b>                      |                                                              |                             |                                                        |

*Notes:*

- (1) Customer E is not an OEM and arranges its own production after receiving our products.
- (2) Our relationship with Customer I is of a trading nature. Customer I initially played a referral role when we first established its business relationship with a global leading professional audio brand (an Independent Third Party). At our early stage, we faced cash-flow pressure as Customer I offered 30-day payment terms, whereas the designated contract manufacturer of such end-customer, Customer D (an Independent Third Party), required 120-day payment terms. We adopted such arrangements to improve our cash collection cycle. The arrangement operates as follows: we sell products to Customer I, which then on-sells to Customer D for incorporation into the end-customer's products. The transactions between us and Customer I are conducted in the form of purchase orders. We do not pay any fees, commissions or other consideration to Customer I; rather, we provide a price concession of approximately 4% to Customer I as a trading margin. As our financing capability improved, we gradually phased out such arrangements, and only one to two product models remain subject to such arrangements as of the Latest Practicable Date. Customer I does not further customize or process our products before reselling them. The end-customer and Customer D are each Independent Third Parties. According to CIC, such

## BUSINESS

intermediary/distributor arrangements are common in the mini-size lithium-ion battery industry, particularly for smaller or early-stage battery manufacturers seeking to access large international OEM customers with longer payment cycles. The PRC Legal Advisor has confirmed that the arrangement with Customer I is legal and valid under PRC law. Save for Customer I, we did not enter into similar intermediary/distributor arrangements with other customers during the Track Record Period and up to the Latest Practicable Date.

- (3) Although Customer G is primarily engaged in the manufacturing and sales of lithium battery packs and energy storage products, it purchases battery cells from us because certain end-customers require battery cell manufacturers and battery pack assembly manufacturers to be separate suppliers for quality accountability, supply chain risk diversification and cost control purposes. This separate-supplier model is an industry practice adopted by certain consumer electronics brands.

During the Track Record Period, our top five customers accounted for RMB181.6 million, RMB241.8 million, RMB249.2 million, and RMB146.0 million, accounting for 51.7%, 45.4%, 44.1%, and 43.3% of our total revenue in 2023, 2024, 2025, and in the six months ended June 30, 2026, respectively. During the Track Record Period, we maintained stable business relationships with our five largest customers in each year/period.

As of the Latest Practicable Date, none of our Directors, their respective associates or any Shareholder who owns more than 5% of the issued share capital of our Company immediately following the completion of the [REDACTED] had any interest in our five largest customers in each year/period during the Track Record Period. To the best knowledge of our Directors, each of our five largest customers in each year/period during the Track Record Period was an Independent Third Party.

### Key Sales Agreements with Our Major Customers

We typically enter into framework sales agreements with our major customers, pursuant to which customers will enter into individual purchase orders with us. Such agreements are legally binding and have not been subject to material breaches during the Track Record Period and up to the Latest Practicable Date.

Our framework sales agreement typically contains the following key terms:

| Key Terms                                   | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Technological Specification</b>          | Our customers usually set relevant technical parameters and technological specification of the batteries in the sales contract. Those parameters and technological specification set out certain characteristics and requirements of the products to be delivered.                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Price and price adjustment mechanism</b> | <p>We specify the unit price and/or total price of each product and service provided to the customer in the framework sales agreement.</p> <p>We negotiate with customers a price adjustment mechanism that varies by product type, business model and cooperation cycle, and is linked to market prices of key raw materials (e.g., lithium iron phosphate). Initial pricing is set using a benchmark raw-material price at the time of agreement, and is adjusted before delivery based on changes in average market prices versus the benchmark (and actual purchase volume). According to CIC, this mechanism is common in the industry.</p> |

## BUSINESS

| Key Terms                            | Description                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Payment term</b>                  | We grant customer credit terms based on credit profile, track record and purchase volume, typically 60–90 days for major customers. We also maintain a systematic credit control mechanism to identify and mitigate accounts-receivable risks during contract performance.                                                                                                          |
| <b>Delivery term</b>                 | Depending on the product type and business model, we specify corresponding order delivery mechanisms or delivery cycles in our framework sales agreements.<br><br>For domestic customers, we generally bear the costs and risks associated with bringing the goods to the named place of destination. For international customers, we generally deliver our products free on board. |
| <b>Inspection</b>                    | Product inspection may take place within a specified period after delivery to customer. Our customers may require us to replace the defective products.                                                                                                                                                                                                                             |
| <b>Term, termination and renewal</b> | The term of the agreement generally ranges from 1 to 3 years and may vary on a case-by-case basis. The renewal of framework agreements is dependent on the outcomes of our negotiations with different customers.                                                                                                                                                                   |
| <b>Minimum purchase requirement</b>  | We generally do not have minimum purchase requirements for our customers.                                                                                                                                                                                                                                                                                                           |

### Pricing

Product pricing is critical to our operating results. We set and periodically review prices based on input and manufacturing costs, customer specifications, order volume/product mix, delivery requirements, and commercial terms, while monitoring market and competitor pricing to remain competitive and preserve margins; prices may be adjusted by product and order to reflect transaction economics and risk. Our internal policy generally requires sales teams to initiate price adjustment negotiations when raw material costs rise significantly after contract signing.

During the Track Record Period, fluctuations in the prices of key raw materials, in particular lithium cobalt oxide, electrolyte and graphite, affected our production costs to some extent, but the overall impact on our profitability was limited.

The procurement prices of these materials also varied differently over time. The average purchase price of lithium cobalt oxide was approximately RMB235.0/kg in 2023, RMB155.7/kg in 2024, RMB285.3/kg in 2025, and RMB339.4/kg in the six months ended June 30, 2026. For the same years/period, the average purchase price of electrolyte was approximately RMB99.1/kg, RMB81.7/kg, RMB66.8/kg and RMB65.7/kg, respectively, and the average purchase price of graphite was approximately RMB76.9/kg, RMB64.4/kg, RMB56.9/kg and RMB60.4/kg, respectively.

Our framework sales agreements generally contain price adjustment mechanisms linked to market prices of key raw materials. During the Track Record Period, we selectively activated such mechanisms where commercially justified, although whether

## BUSINESS

and to what extent we sought customer-side adjustments depended on contractual terms, customer relationships, order cycles and the materiality of the underlying cost movement. In addition, we mitigated raw material price fluctuations through centralized procurement, supplier diversification, flexible purchasing arrangements, moderate safety stock build-up at lower price levels, process and yield improvements, and product and R&D initiatives to improve material utilization. We believe these measures helped us manage raw material price volatility during the Track Record Period.

Looking forward, we intend to maintain and enhance our profitability through a combination of product-mix optimization, proactive product customization in response to market changes and evolving industry demand, technology upgrading, cost control and disciplined customer selection. First, we intend to continue allocating resources toward battery products and application scenarios with stronger self-developed technology content, higher customization requirements and better margin profile, including selected wearable, personal smart medical and emerging high-value application scenarios. Second, we expect continued R&D investment to improve the performance, yield and manufacturability of our products, including through better material utilization, lower process loss, higher automation and upgraded battery design. Third, we will continue to strengthen procurement management, supplier diversification and centralized purchasing to mitigate cost volatility. Fourth, we will continue to manage pricing and customer mix in a disciplined manner, including by selectively using contractual price adjustment mechanisms where commercially appropriate and by prioritizing long-term customer relationships and products with more sustainable profitability. Finally, we believe our multi-location production base, flexible manufacturing capability and digitalized production management will continue to improve efficiency and support margin resilience as our business scales.

### Overseas Sales

During the Track Record Period, the Group's direct revenue exposure to the United States and other non Asian markets remains minimal, accounting for only approximately 2.0%, 1.5%, 3.1%, and 12.5% of our total revenue in 2023, 2024, 2025, and in the six months ended June 30, 2026, respectively, and U.S. revenue representing merely 0.23%, 0.55%, 1.14%, and 1.50% of our total revenue for the same years/period.

Our overseas operations are limited to contractual sales and support arrangements without substantial fixed investments, allowing flexible adjustment to changing regulatory environments. As our mini-sized lithium ion battery product represent a low value yet essential component in end-consumer electronic products, trade tariffs and restrictions have mainly caused short term shifts in delivery timing rather than permanent order losses or material cost pressures, and end customers have generally absorbed or mitigated such impacts without switching suppliers. Such postponed deliveries were initiated by customers as a proactive decision based on the international situation and market conditions in consultation with the Group, rather than being caused by logistics disruptions. Certain overseas customers temporarily reduced their late 2025 purchase volumes due to tariff uncertainty, but indicated their intention to resume normal volumes once the tariff situation stabilized.

There may be uncertainties regarding tariff policies in the United States. See "Risk Factors Trade restrictions, tariff, or sanctions on our products or the end products in which our batteries are installed may adversely affect our business." Accordingly, we closely monitor development in tariff policies and has been implementing measures to respond to potential tariff increases that may affect our end-customers. To mitigate potential geopolitical risks, we have set up production capacity in our Vietnam Production Base to enable flexible order reallocation should the need arises. Certain overseas customers have indicated interests for products of non-China origin in order to diversify their supply chain risks, and our Vietnam Production Base could provide the flexibility to accommodate such requests. Our customer contracts generally do not contain

## BUSINESS

automatic tariff pass-through clauses; pricing adjustments in response to tariff changes are primarily managed through periodic re-quotation and re-negotiation on a case-by-case basis. In late 2025, three overseas customers temporarily reduced purchase volumes citing tariff-related uncertainty, which we accommodated through flexible production scheduling. The aggregate revenue attributable to such customers amounted to approximately RMB30.4 million, representing approximately 5.4% of our total revenue in 2025. Such adjustments were short-term in nature and did not result in permanent order cancellations or customer losses, and the relevant customers have subsequently resumed normal ordering levels. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any permanent customer losses attributable to tariffs or trade restrictions.

We source key raw materials primarily from mainland China and other Asian markets with multiple suppliers available. We have not experienced any permanent customer losses due to geopolitical tensions since our inception. In particular, all customers who temporarily reduced or postponed orders during the Track Record Period and up to the Latest Practicable Date have subsequently resumed normal order levels. Our international sales expansion remains prudent and risk controlled, and we have no imminent plans to establish production facilities in other jurisdictions.

Accordingly, we consider the impact of the current U.S. China geopolitical tensions and recent European policy developments on our business operations, financial performance and development strategies to be limited and manageable.

### Customer Service

We prioritize customer service and provide comprehensive, high-quality, and timely support through an extensive service network, with an initial response to feedback or complaints typically within 24 hours. We also offer additional noise testing for smart wearable devices involving our batteries and provide mitigation solutions to enhance customer satisfaction and stickiness.

We maintain clear product return and replacement procedures, generally accepting returns for quality defects within the contractual warranty period (typically 12 months). During the Track Record Period and up to the Latest Practicable Date, we did not receive any material customer complaints or product returns, nor any material product returns or order cancellations due to product defects.

### OUR SUPPLIERS

#### Our Suppliers

The raw materials that we purchase from our suppliers mainly include lithium cobalt oxide, cathode, anode and steel shells. Other materials include structural parts and electronic parts, equipment, among others.

During the Track Record Period, purchase from our top five suppliers amounted to RMB59.2 million, RMB72.3 million, RMB91.6 million, and RMB59.5 million, accounting for 43.3%, 35.4%, 38.2%, and 40.2% of our total purchase in 2023, 2024, 2025, and in the six months ended June 30, 2026, respectively. During the Track Record Period, we have not encountered any shortages or delay in the supply of raw materials that led to production disruptions. We believe that our stable relationships with suppliers will continue to ensure an adequate and steady supply of raw materials and help control future price fluctuations. During the Track Record Period, there have been no quality issues with our raw materials that significantly impacted our operations.

## BUSINESS

The following table sets forth the background information of our five largest suppliers for each period during the Track Record Period.

**For the six months ended June 30, 2026**

| Supplier               | Background                                                                                                                                                                                      | Procurement<br>amount<br><i>(RMB in<br/>thousands)</i> | Percentage<br>of total<br>procurement | Major products/<br>services sold<br>to us  | Location of<br>headquarters | Year of<br>commencement<br>of business<br>relationship |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|---------------------------------------|--------------------------------------------|-----------------------------|--------------------------------------------------------|
| 1. Supplier A . . .    | A company established in 2002. It is primarily engaged in the research, development and industrialized production of lithium-ion battery materials.                                             | 28,612                                                 | 19.3%                                 | Lithium cobalt oxide                       | Tianjin                     | 2022                                                   |
| 2. Supplier B . . .    | A company established in 2020 in Shenzhen. It is primarily engaged in the R&D and sales of batteries, battery packs, battery materials, battery management systems and energy storage products. | 11,985                                                 | 8.1%                                  | Lithium cobalt oxide                       | Guangdong                   | 2022                                                   |
| 3. Supplier C . . .    | A company established in 2013 in Dongguan. It is principally engaged in the R&D, production and sales of new-energy lithium battery protection boards and battery management systems.           | 7,676                                                  | 5.2%                                  | Protection boards                          | Guangdong                   | 2023                                                   |
| 4. Supplier D . . .    | A company established in 2008. It is primarily engaged in the manufacturing of power electronic components, mould manufacturing and battery pack processing and metal products.                 | 6,047                                                  | 4.1%                                  | Battery pack processing and aluminum posts | Hubei/<br>Guangdong         | 2023                                                   |
| 5. Supplier E . . .    | A company established in 2021. It is primarily engaged in the production, processing and sales of electronic products, lithium-ion batteries and energy storage batteries.                      | 5,199                                                  | 3.5%                                  | Battery cells                              | Guangdong                   | 2021                                                   |
| <b>Total . . . . .</b> |                                                                                                                                                                                                 | <b>59,519</b>                                          | <b>40.2%</b>                          |                                            |                             |                                                        |

## BUSINESS

**For the year ended December 31, 2025**

| Supplier            | Background                                                                                                                                                                      | Procurement<br>amount<br><i>(RMB in<br/>thousands)</i> | Percentage<br>of total<br>procurement | Major products/<br>services sold<br>to us  | Location of<br>headquarters | Year of<br>commencement<br>of business<br>relationship |
|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|---------------------------------------|--------------------------------------------|-----------------------------|--------------------------------------------------------|
| 1. Supplier A . . . | A company established in 2002. It is primarily engaged in the research, development and industrialized production of lithium-ion battery materials.                             | 30,288                                                 | 12.6%                                 | Lithium cobalt oxide                       | Tianjin                     | 2022                                                   |
| 2. Supplier F . . . | A company established in 2017. It is primarily engaged in the sales and production of electronic products, electronic components and related accessories.                       | 21,227                                                 | 8.9%                                  | Battery cells                              | Hunan                       | 2019                                                   |
| 3. Supplier G . . . | A company established in 2014. It is primarily engaged in the stamping of precision metal structural components.                                                                | 14,999                                                 | 6.3%                                  | Steel casing and seal ring                 | Guangdong                   | 2021                                                   |
| 4. Supplier D . . . | A company established in 2008. It is primarily engaged in the manufacturing of power electronic components, mould manufacturing and battery pack processing and metal products. | 13,900                                                 | 5.8%                                  | Battery pack processing and aluminum posts | Hubei/<br>Guangdong         | 2023                                                   |
| 5. Supplier E . . . | A company established in 2021. It is primarily engaged in the production, processing and sales of electronic products, lithium-ion batteries and energy storage batteries.      | 11,228                                                 | 4.7%                                  | Battery cells                              | Guangdong                   | 2021                                                   |
| <b>Total</b>        |                                                                                                                                                                                 | <b>91,642</b>                                          | <b>38.2%</b>                          |                                            |                             |                                                        |

## BUSINESS

**For the year ended December 31, 2024**

| Supplier                                               | Background                                                                                                                                                                         | Procurement<br>amount<br><i>(RMB in<br/>thousands)</i> | Percentage<br>of total<br>procurement | Major products/<br>services sold<br>to us | Location of<br>headquarters | Year of<br>commencement<br>of business<br>relationship |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|---------------------------------------|-------------------------------------------|-----------------------------|--------------------------------------------------------|
| 1. Supplier F. . .                                     | A company established in 2017. It is primarily engaged in the sales and production of electronic products, electronic components and related accessories.                          | 25,503                                                 | 12.5%                                 | Battery cells                             | Hunan                       | 2019                                                   |
| 2. Shandong Ruisi Precision Industry Co., Ltd. . . . . | A company established in 2004. It is primarily engaged in the manufacturing of IC packaging components, MEMS packaging shields, consumer electronics components and power devices. | 12,434                                                 | 6.1%                                  | Steel casing and seal ring                | Shandong                    | 2021                                                   |
| 3. Supplier G. . .                                     | A company established in 2014. It is primarily engaged in the stamping of precision metal structural components.                                                                   | 11,874                                                 | 5.8%                                  | Steel casing and seal ring                | Guangdong                   | 2021                                                   |
| 4. Supplier A. . .                                     | A company established in 2002. It is primarily engaged in the research, development and industrialized production of lithium-ion battery materials.                                | 11,696                                                 | 5.7%                                  | Lithium cobalt oxide                      | Tianjin                     | 2022                                                   |
| 5. Supplier E. . .                                     | A company established in 2021. It is primarily engaged in the production, processing and sales of electronic products, lithium-ion batteries and energy storage batteries.         | 10,832                                                 | 5.3%                                  | Battery cells                             | Guangdong                   | 2021                                                   |
| <b>Total</b>                                           |                                                                                                                                                                                    | <b>72,339</b>                                          | <b>35.4%</b>                          |                                           |                             |                                                        |

## BUSINESS

**For the year ended December 31, 2023**

| Supplier                                               | Background                                                                                                                                                                         | Procurement amount<br>(RMB in thousands) | Percentage of total procurement | Major products/ services sold to us | Location of headquarters | Year of commencement of business relationship |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|---------------------------------|-------------------------------------|--------------------------|-----------------------------------------------|
| 1. Supplier H . . .                                    | A company established in 2017. It is primarily engaged in battery manufacturing, battery component production and energy storage technology services.                              | 18,013                                   | 13.2%                           | Battery cells                       | Jiangxi                  | 2022                                          |
| 2. Shandong Ruisi Precision Industry Co., Ltd. . . . . | A company established in 2004. It is primarily engaged in the manufacturing of IC packaging components, MEMS packaging shields, consumer electronics components and power devices. | 12,037                                   | 8.8%                            | Steel casing and seal ring          | Shandong                 | 2021                                          |
| 3. Supplier A . . .                                    | A company established in 2002. It is primarily engaged in the research, development and industrialized production of lithium-ion battery materials.                                | 11,091                                   | 8.1%                            | Lithium cobalt oxide                | Tianjin                  | 2022                                          |
| 4. Supplier E. . .                                     | A company established in 2021. It is primarily engaged in the production, processing and sales of electronic products, lithium-ion batteries and energy storage batteries.         | 9,751                                    | 7.1%                            | Battery cells                       | Guangdong                | 2021                                          |
| 5. Supplier I . . .                                    | A company established in 2017. It is primarily engaged in lithium battery pack processing.                                                                                         | 8,272                                    | 6.1%                            | Battery pack processing             | Guangdong                | 2022                                          |
| <b>Total</b>                                           |                                                                                                                                                                                    | <b>59,164</b>                            | <b>43.3%</b>                    |                                     |                          |                                               |

As of the Latest Practicable Date, Mr. Wang Minglun, our non-executive Director, is indirectly interested in 43.58% equity interest in Shandong Ruisi Precision Industry Co., Ltd.\* (山東睿思精密工業有限公司) (“**Shandong Ruisi**”). Save for the aforesaid, none of our Directors, their respective associates or any Shareholder who owns more than 5% of the issued share capital of our Company immediately following the completion of the [REDACTED] had any interest in our five largest suppliers in each period during the Track Record Period. Save for Shandong Ruisi, to the best knowledge of our Directors, each of our five largest suppliers in each period during the Track Record Period was an Independent Third Party. See “Continuing Connected Transactions” for further details.

During the Track Record Period, battery cells procured from Supplier E, Supplier F and Supplier H were mainly used for portable energy storage battery packs and single cell pack products. These are not the same as the Group’s core mini-size lithium-ion batteries. Such purchases are made through customer-designated supply chains. Even where such batteries are sourced from third parties, the Group adds significant value through customer-focused R&D and design adaptation, as well as quality inspection, cell matching, component integration, assembly, testing and quality control, with value-add costs covering direct materials, labor, manufacturing overheads and other inputs.

## BUSINESS

During the Track Record Period, the Company had transactions with Luxshare Precision Industry Co., Ltd.\* (立訊精密工業股份有限公司) (“Luxshare Precision”) in connection with the sale of the Company’s products. Luxshare Precision is owned as to approximately 37.49% by Luxshare Limited (立訊有限公司), which is in turn owned as to (i) 50% by Ms. Wang Laichun (王來春), the mother of Mr. Yi Lei, our non-executive Director, and (ii) 50% by Mr. Wang Laisheng (王來勝), the brother of Ms. Wang Laichun. Luxshare Precision does not constitute a majority-controlled company held by Mr. Yi Lei’s family member(s) under Rule 14A.12(2)(a), nor does it constitute a majority-controlled company held by his family member(s) and/or relative(s) under Rule 14A.21(1)(b). It is therefore not a connected person of the Group. The relevant transactions arose from the ordinary course of the Company’s business with an end customer’s supply chain arrangement. Under such arrangement, Luxshare Precision acted as the relevant ODM/supplier designated by the end customer. The Company confirms that the transactions with Luxshare Precision were conducted in the ordinary and usual course of business and on normal commercial terms. The pricing, payment terms and other principal commercial terms were determined with reference to ordinary commercial considerations. To the best of the Company’s knowledge, Luxshare Precision is primarily engaged in electronic components manufacturing and its products are used in various applications including, consumer electronics, communications and data centers, and automotive electronics.

### Overlapping Customer and Supplier

In 2023, 2024, 2025, and in the six months ended June 30, 2026, our purchase amount attributable to one of our top five suppliers, Shandong Ruisi, amounted to RMB12.0 million, RMB12.4 million, RMB8.9 million, and RMB4.3 million, which accounted for 8.8%, 6.1%, 3.7%, and 2.9% of our total purchases in such periods, respectively. We had sales attributable to Shandong Ruisi of RMB0.04 million in 2023, which accounted for 0.01%, of our total sales amount in such year.

In 2023, 2024, 2025, and in the six months ended June 30, 2026, our sales attributable to Customer H amounted to RMB31.3 million, RMB41.2 million, RMB22.2 million, and RMB11.1 million, which accounted for 8.9%, 7.7%, 3.9%, and 3.3% of our total revenue for such periods, respectively. Our procurement amount attributable to Supplier F, a subsidiary of Customer H, amounted to nil, RMB25.5 million, RMB21.2 million, and RMB0.5 million, representing nil, 12.5%, 8.9%, and 0.4% of our total procurement amount in 2023, 2024, 2025, and in the six months ended June 30, 2026, respectively. Customer H and Supplier F are members of the same corporate group.

Shandong Ruisi was principally a supplier to us during the Track Record Period. On the procurement side, we procured steel casings, steel shells and seal rings, rubber rings from Shandong Ruisi. On the sales side, sales to Shandong Ruisi were insignificant and mainly involved certain sales of raw materials to them which we had purchased on its behalf through a third-party manufacturer. Specifically, in 2023, we purchased one type of raw material from a third-party manufacturer on behalf of Shandong Ruisi for an aggregate amount of approximately RMB40,000. We did not charge any mark-up and did not generate any gross profit from this transaction. This arrangement arose because Shandong Ruisi did not have a direct supply relationship with such third-party manufacturer at the relevant time, and we facilitated the purchase as a one-off accommodation. Save as disclosed above, there were no other similar arrangements or transactions between our Group and Shandong Ruisi during the Track Record Period and up to the Latest Practicable Date.

By contrast, the corporate group comprising Customer H and Supplier F represented a substantive commercial counter party relationship on both the sales side and the procurement side. On the sales side, Customer H purchased button batteries, prismatic batteries and cylindrical batteries from us. On the procurement side, as designated by the relevant customer, Supplier F, being a member of the same corporate group as Customer H, supplied to us larger battery cells used for modules.

## BUSINESS

Such transactions were conducted in the ordinary and usual course of business and on normal commercial terms, and were generally subject to the same internal approval, pricing and procurement procedures applicable to our transactions with other customers and suppliers. The terms, including pricing and other key commercial terms, and the gross profit margin of sales to overlapping customers were not materially different from those of other comparable transactions conducted by us in the ordinary course of business.

According to CIC, having such overlap is common in the industry. The transactions that we entered into with the overlapping supplier-customer were on an arm's-length, mutually independent basis under normal commercial terms. The sales and purchases were neither interconnected nor inter-conditional. The key terms of our sales and supply agreements with the overlapping supplier-customer were substantially similar to those with our other customers and suppliers.

Given that our relationship with the supplier-customer is unlikely to materially deteriorate or terminate, we believe that the supplier-customer overlap during the Track Record Period would not hinder our business prospects.

### Supply Chain Management

We aim to build a resilient supply chain focused on efficiency, innovation, cost reduction and green, low-carbon practices. We maintain a supplier management system covering qualification, tiered management, performance evaluation and exit procedures, and have developed a shortlist of suppliers with long-term partnerships with key suppliers.

To manage raw material price and supply risks, we monitor supply-demand and price movements of key inputs, use forward-looking procurement, and secure supply through a mix of long-term procurement agreements and selective upstream integration, including in-house production of certain key raw materials alongside external sourcing. Specifically, as part of our supply chain management measures, our upstream integration strategy focuses on electrolyte, for which we have established in-house research and development capabilities and developed proprietary formulations that are provided to qualified suppliers for manufacturing. The selection of such raw materials for in-house development is primarily based on their strategic importance, impact on product quality and performance, supply stability and cost efficiency. This arrangement is intended to enhance our control over the formulations and quality specifications of these critical inputs. For other raw materials where external sourcing is more cost-effective or specialized manufacturing expertise is required, we continue to procure from qualified third-party suppliers under our standard procurement framework, which includes supplier qualification, quality inspection, price comparison, separate quotation or tendering for different raw materials or production processes where appropriate, and ongoing supplier evaluation. Such separate sourcing and quotation process is intended to enhance cost transparency and bargaining power, and to mitigate potential hidden premiums that may be embedded in bundled quotations. This combined sourcing arrangement allows us to balance supply security, cost efficiency and product quality. We also strengthen supplier relationships through favorable payment terms, our reputation, and annual supplier conferences to share technology roadmaps and explore collaboration, including strategic and other cooperation agreements where appropriate.

### Key Terms of Agreement with Our Major Suppliers

During the Track Record Period, we carefully select external suppliers and require them to meet certain evaluation and assessment standards. We procure only from suppliers on our qualified list, who are comprehensively assessed on factors such as qualifications, quality, service, quality control, capacity and logistics, and are subject to ongoing management and quarterly /annual evaluations to promote strong performers

## BUSINESS

and remove underperformers, supporting quality and cost-effective procurement. Our framework procurement agreements set out general cooperation terms, raw material specifications and quality standards, quantities, payment obligations and delivery methods; they are legally binding and were not subject to material breaches during the Track Record Period and up to the Latest Practicable Date. We did not enter into any exclusive supply agreements during the Track Record Period.

The key terms in our framework procurement agreements and orders with suppliers typically include:

| <b>Key Terms</b>                      | <b>Description</b>                                                                                                                                                                                                                                          |
|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Purchase Order</b>                 | We typically include purchase amount, the type, specification, unit price, quantity and date of delivery in the purchase order.                                                                                                                             |
| <b>Pricing</b>                        | Depending on the type of raw material and suppliers involved, prices are determined/adjusted taking into account the then prevailing market price when placing orders.                                                                                      |
| <b>Payment and credit term</b>        | Credit terms and payment methods shall be outlined in the purchase orders. We are granted certain credit terms, which is normally 90 days, by our major suppliers.                                                                                          |
| <b>Minimum purchase requirement</b>   | None.                                                                                                                                                                                                                                                       |
| <b>Inspection and product returns</b> | Product inspection shall be carried out within the specified period upon delivery. We have the right to return defective materials that fail to meet agreed quality standards, and the supplier shall provide remedies, including returns and/or exchanges. |
| <b>Confidentiality</b>                | We usually set confidentiality clauses in the framework agreements, and the period of confidentiality obligations may be extended to after the expiration of the agreements.                                                                                |
| <b>Termination</b>                    | The framework procurement agreement typically terminates upon the expiration of the agreed term and may also be terminated early under specified conditions.                                                                                                |

Due to factors such as fluctuations in material prices, changes in market supply and demand dynamics, and technological advancements, our procurement prices and quantities may vary. For details, see "Risk Factors — Price fluctuation and inadequate supply of materials and equipment for our production could adversely affect our business, financial condition and results of operations."

## EMPLOYEES

Our people-centric culture promotes sustainable growth internally and customer bonding externally. We are dedicated to creating a fair, just and open environment for our employees. As of June 30, 2026, we had a total of 2,045 employees, most of whom were based in China.

## BUSINESS

The following table sets forth the number of our employees categorized by function as of June 30, 2026

| Management Classification                     | Number of<br>Employees | % of Total   |
|-----------------------------------------------|------------------------|--------------|
| Production Workers . . . . .                  | 961                    | 47.0         |
| Manufacturing Management Personnel . . . . .  | 534                    | 26.1         |
| R&D Technical Personnel . . . . .             | 406                    | 19.9         |
| Administrative Management Personnel . . . . . | 95                     | 4.6          |
| Sales Personnel . . . . .                     | 30                     | 1.5          |
| Finance Personnel . . . . .                   | 19                     | 0.9          |
|                                               | <u>2,045</u>           | <u>100.0</u> |

We use diversified recruitment channels (referrals, online platforms and campus hiring) to maintain a strong talent pipeline, and provide onboarding and ongoing training. Employees sign individual employment contracts covering remuneration and benefits, confidentiality and non-compete obligations, IP/work-product arrangements and termination terms; remuneration typically comprises salary and bonuses based on seniority, performance and tenure, supported by multiple incentives and a positive working environment.

We manage staff under an Employee Handbook that promotes an equal, respectful workplace, with role-based performance targets and periodic reviews, helping us retain qualified employees and a stable core management team.

We provide comprehensive benefits and career development opportunities and comply with applicable workplace safety laws and standards through an effective safety management system.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations.

### Social Insurance and Housing Provident Fund

During the Track Record Period, we did not make full social insurance and housing provident fund contributions for certain employees. This was primarily because a number of employees preferred not to make full contributions to the aforementioned funds.

As advised by our PRC Legal Advisor, under applicable PRC laws and regulations, if we fail to make full social insurance contributions as required, we may be ordered to make up the outstanding social insurance contributions within a prescribed time limit and may be subject to a late payment fee calculated at 0.05% of the outstanding amount per day commencing from the date such payment was due. If we fail to make the payment within the prescribed period, the competent authorities may further impose a fine ranging from one to three times the overdue amount. In respect of the housing provident fund, our PRC Legal Advisor has advised that, under the relevant PRC laws and regulations, if we fail to make full contributions as required, the Housing Provident Fund Management Center may order us to make up the outstanding amount within a specified time limit, failing which it may apply to the PRC courts for compulsory enforcement.

In view of the following: (i) pursuant to applicable laws and regulations, including the Notice of the General Office of the State Taxation Administration on Properly and Orderly Carrying Out the Collection and Administration of Social Insurance

## BUSINESS

Contributions (Shui Zong Ban Fa [2018] No. 142) (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》(稅總辦發[2018]142號)) and the Notice of the General Office of the State Council on Issuing the Comprehensive Plan for Reducing Social Insurance Contribution Rates (Guo Ban Fa [2019] No. 13) (《國務院辦公廳關於印發〈降低社會保險費率綜合方案〉的通知》(國辦發[2019]13號)), administrative enforcement authorities are prohibited from organizing or conducting centralized collection of historical outstanding social insurance contributions from enterprises; (ii) we have obtained confirmations from the competent authorities, stating that we were not subject to any administrative penalties in relation to social insurance or housing provident fund matters, and that there were no complaints or reports relating to such matters, and that our contribution bases for social insurance and housing provident fund were in compliance with applicable requirements and did not involve any material violations; in the absence of such complaints or reports, we would not be subject to recovery actions or administrative penalties by the relevant competent authorities; (iii) during the Track Record Period, we were not subject to any penalties in relation to social insurance or housing provident fund matters, nor did we receive any notices from the local social insurance or housing provident fund authorities requiring us to make up historical outstanding contributions; and (iv) Mr. Chen Zhiyong and Mr. Xu Jiangtao have undertaken that they will procure our Company and its subsidiaries to make social insurance and housing provident fund contributions for all eligible employees in accordance with laws, regulations and relevant local policies; in the event that our Company and its subsidiaries are required by a competent authority to make up or recover contributions, pay late fees, are penalized or suffer other losses due to their failure to make full social insurance and housing provident fund contributions in accordance with the law, they shall fully indemnify our Company and its subsidiaries against all costs, expenses and losses incurred as a result thereof and ensure that our Company and its subsidiaries will not suffer any loss as a result. As advised by our PRC Legal Advisor, the risk of us being required to make up the outstanding shortfall of social insurance and housing provident fund contributions and the risk of us being subject to administrative penalties are remote.

Taking into account (i) the aforesaid advice of our PRC Legal Advisor; and (ii) that as at the Latest Practicable Date, we had not received any administrative penalties or rectification orders issued by the PRC competent authorities, and none of our employees had raised any material complaint in respect of the payment of social insurance and housing provident fund contributions, our Directors are of the view, and the Sole Sponsor concurs, that the underpayment of social insurance and housing provident fund contributions during the Track Record Period would not have a material adverse impact on our suitability for [REDACTED].

We have implemented, and will continue to implement, the following enhanced internal control and corrective measures to progressively address these issues and prevent recurrence:

- we have strengthened and formalized our human resources policies and procedures and clarified the allocation of responsibilities in respect of human resources compliance matters. Under such policies and procedures, our human resources and administration department is primarily responsible for organizing human resources compliance work and implementing and monitoring compliance with applicable PRC labor, social insurance and housing provident fund laws and regulations in our daily human resources management, including the administration of employee onboarding, labor contract management, payroll and employee benefit arrangements. Our management is responsible for reviewing and approving major human resources matters and ensuring that our human resources activities comply with applicable laws and regulations and our internal operating requirements;

## BUSINESS

- we have established a regular review and update mechanism for our human resources policies and procedures. In particular, our human resources and administration department will conduct, through the annual management review process and at least once a year, a review of our human resources management policies and procedures, including those relating to social insurance and housing provident fund contributions, to ensure that the relevant provisions remain consistent with the latest applicable laws, regulations and local implementing rules;
- we will closely monitor the latest developments in PRC laws, regulations and local policies relating to social insurance and housing provident fund. Where there is any amendment to existing laws or regulations or promulgation of new laws or regulations, we will update our internal policies and procedures accordingly to ensure they remain in line with the latest regulatory requirements;
- we have enhanced our employee communication and legal compliance training mechanism. Where regulatory changes or internal policy updates involve employees' rights and interests, including remuneration, benefits, working conditions, social insurance or housing provident fund matters, we will disseminate the relevant information to employees through announcements, training sessions and internal communication channels, and provide explanations where appropriate, with a view to improving employees' awareness of, and cooperation with, our statutory contribution obligations;
- we have strengthened our onboarding and employee records management procedures. Employees are required to provide requisite personal identification and employment information during onboarding, undergo identity verification, and enter into appropriate labor contract documentation. Such information and documentation will be maintained by our human resources and administration department to facilitate the timely identification of employees eligible for social insurance and housing provident fund contributions and the proper administration of contribution arrangements; and
- we will continue to seek legal support from our in-house legal personnel and consult our PRC Legal Advisor on a regular basis, and where necessary in respect of material or complex human resources compliance matters, to obtain advice on applicable PRC labor, social insurance and housing provident fund laws and regulations, including specific legal advice on major human resources decisions and assistance in handling labor disputes and legal proceedings, so as to keep abreast of relevant regulatory developments and ensure that our internal policies and practices are updated in a timely manner.

Having considered (i) the facts and circumstances giving rise to the non-compliance; and (ii) the details and relevance of the internal control measures adopted by the Group to prevent the recurrence of such non-compliance, our Directors are of the view, and the Sole Sponsor concurs, that the above measures are effective and adequate in reducing the risk of future claims in respect of social insurance and housing provident fund matters.

## BUSINESS

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

We place significant emphasis on environmental and social issues, integrating ESG considerations into our core business management. We have identified ESG issues material to our business operations, including addressing climate change, energy management, and product liability. These priorities are aligned with the Environmental, Social and Governance Reporting Standards of the HKEX, industry standards from the International Sustainability Standards Board (“ISSB”), and ESG disclosures of peer companies.

#### ESG Governance Structure

We have established the organizational structure of the Strategic and ESG Committee to continuously improve the management level of sustainability of the enterprise. The specific responsibilities include but are not limited to:

- Ensure the establishment of appropriate and effective ESG risk management and internal monitoring systems.
- Keep abreast of the latest ESG related laws and regulations, including applicable provisions of listing rules, and notify the Board of any changes.
- Based on our business operations, identify key stakeholders, understand their concerns regarding ESG matters and respond accordingly, and update ESG policies in accordance with the latest regulatory provisions.
- Ensure that the main responsible persons of each ESG related department assess and manage the risks under their functions, and regularly report to the Board.
- Ensure that ESG concepts, including environmental and health safety management system requirements, are integrated into the organization’s business processes.

#### Environment

##### *Climate Change*

We actively respond to climate change, refer to the framework and recommendations of the Task Force On Climate-Related Financial Disclosures Working Group (“TCFD”) to prepare for new laws and regulations that may directly or indirectly affect operations in response to the potential impact of climate change.

In terms of governance, the overall ESG governance we have established includes the governance of “tackling climate change”, clarifying the main responsibilities of the decision-making, management and executive levels, and promoting the inclusion of ESG matters into the Group’s daily business decisions. For detailed information of governance, please refer to “ESG Governance Structure” above.

In terms of strategy, we identify and assess the categories of climate related risks and opportunities, and divide risks into two categories, including risks related to the physical impact of climate change (hereinafter referred to as “physical risk”) and risks related to the transition of low-carbon economy (hereinafter referred to as “transition risk”). As far as physical risk and transition risk are concerned, we have identified the following risks but have not yet found any significant impact on the business.

## BUSINESS

### Risk Management

Therefore, we have formulated *Emergency Preparedness and Response Control Procedures* for accidents (disasters) and other emergencies to effectively prepare for and respond to emergencies and minimize the possible consequences of accidents when accidents or emergencies occur. We identify the potential risks and accidents of the Group, including fire, explosion, typhoon, rainstorm, earthquake, etc. Formulate relevant emergency plans according to the actual potential emergency situations, specify the responsibilities of each department, contact methods, handling methods, etc., and organize emergency drills at least once a year to train employees and appropriate party in emergency preparation and response arrangements.

### Metrics and Targets

In order to more efficiently regulate and govern these indicators, we regularly collect and conduct in-depth analysis of relevant data to provide scientific decision-making basis for our environmental protection work. During the Track Record Period, we continued to monitor indicators closely related to climate risk, such as direct greenhouse emissions (Scope 1) and indirect GHG emissions (Scope 2).

The following table shows the GHG emissions in Track Record Period:

| Carbon dioxide emission<br>Metrics                                                 | For the year ended December 31, |           |           | For the<br>six months<br>ended<br>June 30, |
|------------------------------------------------------------------------------------|---------------------------------|-----------|-----------|--------------------------------------------|
|                                                                                    | 2023                            | 2024      | 2025      | 2026                                       |
| Scope 1 <sup>(1)</sup> (tCO <sub>2</sub> e) . . . . .                              | 138.98                          | 242.35    | 237.77    | 185.68                                     |
| Scope 2 <sup>(1)</sup> (tCO <sub>2</sub> e) . . . . .                              | 9,816.43                        | 13,181.81 | 17,109.96 | 9,659.07                                   |
| Total GHG emissions<br>(Scope 1 & Scope 2) (tCO <sub>2</sub> e) . . . .            | 9,955.41                        | 13,424.16 | 17,347.74 | 9,844.75                                   |
| Total GHG emissions intensity<br>(tCO <sub>2</sub> e)/revenue of RMB10,000 . . .   | 0.28                            | 0.25      | 0.31      | 0.29                                       |
| Scope 3 (tCO <sub>2</sub> e) <sup>(2)</sup> . . . . .                              | 9,664.36                        | 12,820.00 | 22,672.57 | –                                          |
| Scope 3 GHG emissions intensity<br>(tCO <sub>2</sub> e)/revenue of RMB10,000 . . . | 0.28                            | 0.24      | 0.40      | –                                          |

Both our Guangdong Base and Jiangxi Base have conducted Scope 3 greenhouse gas emission inventories in accordance with ISO 14064-1:2018, specifically covering the following categories:

- Category 3: Indirect GHG emissions from transportation
- Category 4: Indirect GHG emissions from the use of products by the organization
- Category 5: Indirect GHG emissions associated with the use of the organization’s products

Note (1):

GHG emissions are accounted for in accordance with ISO 14064-1:2018. GHG emission Scope 1 is calculated from the natural gas and gasoline; GHG emission Scope 2 is calculated by the product of purchased electricity and corresponding emission factors.

Note (2):

We conduct carbon verification and data compilation of Scope 3 greenhouse gas emissions centrally at the end of each year, thus representing 0 for the six months ended June 30, 2026.

## BUSINESS

We set a target that by 2028, we reduce Total GHG emissions intensity per unit revenue by 4% compared with 2025.

### Energy Management

The Group’s energy consumption mainly includes purchased electricity and gasoline. Committed to enhancing energy efficiency and advancing green and low-carbon development, we have obtained ISO 14001 certification, which underscores our dedication to resource conservation and efficient utilisation. To further strengthen our efforts, we have developed the *Resources and Energy Management Procedures* and implemented a range of targeted measures:

- Maintaining air conditioning temperatures at 26°C during summer.
- Integrating energy-saving measures into training programs to raise employees’ awareness of energy conservation.

Additionally, energy efficiency is enhanced through technological transformation projects, such as upgrading conventional screw compressors to permanent magnet variable frequency models.

Our energy consumption during the Track Record Period was as follows:

| Metrics                                                         | Unit                                      | For the year ended December 31, |           |           | For the<br>six months<br>ended<br>June 30, |
|-----------------------------------------------------------------|-------------------------------------------|---------------------------------|-----------|-----------|--------------------------------------------|
|                                                                 |                                           | 2023                            | 2024      | 2025      | 2026                                       |
| Purchased electricity . . . . .                                 | Megawatt hours                            | 17,126.33                       | 24,440.67 | 33,428.94 | 18,053.19                                  |
| Natural gas . . . . .                                           | Cubic metres                              | 1,443.00                        | 9,060.00  | 10,305.12 | 4,536.00                                   |
| Gasoline . . . . .                                              | Litres                                    | 16,804.01                       | 18,186.44 | 20,260.98 | 9,816.17                                   |
| Diesel . . . . .                                                | Litres                                    | 12,384.82                       | 12,235.30 | 10,072.92 | 4,203.07                                   |
| Comprehensive<br>energy<br>consumption <sup>(3)</sup> . . . . . | Megawatt hours                            | 17,415.09                       | 24,822.41 | 33,820.24 | 18,230.92                                  |
| Comprehensive<br>energy consumption<br>intensity . . . . .      | Megawatt<br>hours/revenue of<br>RMB10,000 | 0.50                            | 0.47      | 0.60      | 0.54                                       |

Note (3):

Comprehensive energy consumption is calculated based on the conversion factors in the “General Rules for Calculating Comprehensive Energy Consumption (GB/T2589-2020)”, a national standard of the People’s Republic of China.

We set a target that by 2028, we reduce comprehensive energy consumption per unit revenue by 4% compared with 2025.

For the energy consumption and waste generation. The absolute values of the Group’s energy consumption, water usage and waste generation are still on the rise, mainly due to the rapid expansion of production capacity and sustained increase in output. Meanwhile, affected by annual product price reductions, the energy consumption per product unit has maintained a downward trend, reflecting a steady improvement in the Group’s production energy efficiency.

## BUSINESS

### *Water resources management*

Our primary water source is municipal water, with no issues in securing suitable water supplies. We have developed the *Resources and Energy Management Procedure* and implemented a range of water-saving measures:

- Managers at all levels conduct regular training sessions, such as morning meetings, to educate employees on water-saving practices. They also encourage the habit of turning off taps after use and enforce daily oversight to ensure compliance;
- All departments and employees are expected to adhere strictly to water management regulations, with a focus on reducing tap water consumption and minimising waste;

Our water consumption during the Track Record Period was as follows:

| Metrics                               | Unit                           | For the year ended December 31, |           |           | For the<br>six months<br>ended<br>June 30, |
|---------------------------------------|--------------------------------|---------------------------------|-----------|-----------|--------------------------------------------|
|                                       |                                | 2023                            | 2024      | 2025      | 2026                                       |
| Total water consumption . . . .       | Tonnes                         | 56,442.56                       | 68,807.30 | 76,670.10 | 43,262.20                                  |
| Water consumption intensity . . . . . | Tonnes/Revenue of<br>RMB10,000 | 1.61                            | 1.29      | 1.36      | 1.28                                       |

We set a target that by 2028, we reduce water consumption per unit revenue by 9% compared with 2025.

The Group’s water consumption mainly consists of three categories:

1. Cooling tower water for cooling large environmental control equipment such as dehumidifiers and air conditioners.
2. Staff domestic water, including dormitory and canteen water use.
3. On-site cleaning water. Affected by the continuous growth in the number of employees, the total water volume trended upward during the reporting period.

### *Waste management*

We have established comprehensive *Waste Management and Control Procedures* to ensure the proper classification, collection, storage, and disposal of waste generated during daily operations. Hazardous waste that we manage includes waste electrolyte arising from wiping and cleaning processes, waste rags and gloves produced during manufacturing, waste oil generated during equipment maintenance, and activated carbon waste resulting from waste gas treatment. In accordance with the hazardous waste classification requirements set by the local environmental protection authority, we ensure 100% segregated storage of hazardous waste. This is achieved through the use of qualified third-party logistics and disposal services.

## BUSINESS

We reduce the generation of hazardous waste by optimizing processes and replacing hazardous materials. Key initiatives include:

- Implementing lean management to streamline materials processing, reducing machine switching frequency, and, consequently, the frequency of liquid injection head cleaning. This minimises the generation of waste electrolyte;
- Increasing daily TPM management to ensure equipment operates efficiently and reliably. This reduces the generation of waste oil during maintenance activities;

Our non-hazardous waste primarily consists of paper and plastic. We conduct quarterly training sessions on waste classification to ensure employees are well-informed and capable of correctly sorting waste. Supervision is implemented to encourage proper rubbish segregation practices. Additionally, we engage in discussions with suppliers to improve the packaging of incoming materials, aiming to reduce waste generation at the source.

We set a target for wastewater and exhaust gas emission that we maintain a 100% compliance rate for the disposal of all types of pollutants over the next three years.

Our waste discharge during the Track Record Period was as follows:

| Metrics                                             | Unit                        | For the year ended December 31, |        |        | For the<br>six months<br>ended<br>June 30, |
|-----------------------------------------------------|-----------------------------|---------------------------------|--------|--------|--------------------------------------------|
|                                                     |                             | 2023                            | 2024   | 2025   | 2026                                       |
| Total amount of hazardous waste generated . . . . . | Tonnes                      | 7.82                            | 20.95  | 130.77 | 63.08                                      |
| Hazardous waste intensity . . . . .                 | Tonnes/Revenue of RMB10,000 | 0.0002                          | 0.0004 | 0.0023 | 0.0019                                     |
| Total amount of non-hazardous waste generated . . . | Tonnes                      | 162.00                          | 219.60 | 250.65 | 204.22                                     |
| Non-hazardous waste intensity . . . . .             | Tonnes/Revenue of RMB10,000 | 0.0046                          | 0.0041 | 0.0044 | 0.0061                                     |

### *Discharge management*

We place significant emphasis on discharge management and engage accredited testing organizations to conduct annual assessments and evaluations of our discharges, including wastewater and small quantities of exhaust gas. All discharged wastewater and exhaust gas parameters comply with the emission standards set by local authorities. Furthermore, we reduce wastewater generation by optimizing the frequency of mixing tank cleaning and installing advanced water treatment systems.

## BUSINESS

We set a target for hazardous waste that we maintain a 100% compliance rate for hazardous waste disposal across the Group over the next three years, and strictly implement whole-process supervision of hazardous waste classification, storage, transfer and disposal.

| Metrics                              | Unit                        | For the year ended December 31, |           |           | For the six months ended June 30, |
|--------------------------------------|-----------------------------|---------------------------------|-----------|-----------|-----------------------------------|
|                                      |                             | 2023                            | 2024      | 2025      | 2026                              |
| Total exhaust emissions . . . . .    | kg                          | 1,117.03                        | 1,323.65  | 3,412.83  | 1,548.40                          |
| Exhaust emission intensity . . . . . | kg/Revenue of RMB10,000     | 0.03                            | 0.02      | 0.06      | 0.05                              |
| Total amount of wastewater . . . . . | Tonnes                      | 47,226.35                       | 57,296.96 | 63,635.83 | 35,630.59                         |
| Wastewater intensity . . . . .       | Tonnes/Revenue of RMB10,000 | 1.34                            | 1.08      | 1.13      | 1.06                              |

### Social Responsibility

#### *Employment management*

We are committed to maintaining high standards in talent development and fair employment, providing employees with comprehensive career development opportunities. Our *Recruitment Management Measures* and *Employee Handbook* establish clear guidelines to ensure ethical practices throughout our organization. We strictly prohibit the misuse of child labor and forced labor, safeguarding the rights and interests of children and minors. Adhering to the principles of fairness, justice, and openness in employment, we have implemented diverse recruitment channels to attract and select exceptional talent. Background screening is conducted for all candidates to prevent the exploitation of child labor. Discrimination, harassment, and bullying are explicitly prohibited under our policies, and no incidents related to these issues were reported during the Track Record Period.

| Metrics                                        | Category | For the year ended December 31, |       |       | For the six months ended June 30, |
|------------------------------------------------|----------|---------------------------------|-------|-------|-----------------------------------|
|                                                |          | 2023                            | 2024  | 2025  | 2026                              |
| Total number of employee ( <i>person</i> ) . . | –        | 1,080                           | 1,511 | 1,768 | 2,045                             |
| By gender ( <i>person</i> ) . . .              | Male     | 542                             | 820   | 968   | 1,089                             |
|                                                | Female   | 538                             | 691   | 800   | 956                               |
| Employee turnover rate                         |          |                                 |       |       |                                   |
| Turnover rate (%) <sup>(4)</sup> . .           | –        | 3.24%                           | 3.46% | 5.56% | 3.81%                             |

*Note (4):*

Employee turnover rate = Number of employee left from the Group during the period/Number of employees at the end of the period, both excluding individuals who left within seven days of hire.

The Company has formulated the Employee Grievance Management System. Employee grievances may be filed either orally or in writing. For ordinary issues, employees may first appeal to their employee representative or department head; if dissatisfied with the outcome, they may escalate the matter level by level.

## BUSINESS

Employees who are dissatisfied with their direct supervisor may file an appeal beyond the immediate chain of command. Cross-departmental disputes shall be coordinated by the administration department, and major issues shall be submitted to the General Manager for decision.

A written grievance shall clearly state the persons involved, time, location and relevant facts, and may be signed or anonymous.

Upon receipt, the scope of the case will first be verified. If the grievance is substantiated, an investigation will be conducted with written records, and responses and resolutions will be provided level by level in accordance with procedures.

The identities of complainants and whistleblowers will be kept strictly confidential to protect them from retaliation by the subjects of the complaints.

### *Care for employees*

We provide comprehensive social insurance coverage for our employees in accordance with national regulations. This includes pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing provident funds.

All current employees are entitled to statutory holidays. Furthermore, if an employee is injured in a work-related accident and the injury is recognized as a workplace injury by the social security bureau, they are entitled to a period of work stoppage and salary retention after completing the necessary reporting procedures as required by the local social security bureau.

### *Training and development*

We place great emphasis on enhancing employees' skills and capabilities. To ensure employees receive appropriate training opportunities, we have established a comprehensive set of standardised documents and a robust training system.

Our training programs are categorised into three types: orientation training, on-the-job training, and skill enhancement training. Additionally, we collaborate with reputable professional training institutions to deliver both internal and external course offerings. Simultaneously, we are committed to developing internal trainers and have implemented corresponding incentive mechanisms. We advocate a culture of shared learning and growth among all employees.

### *Wellbeing and safety of employees*

We prioritise the health and safety of our employees, adhering to applicable laws and regulations, to ensure a secure working environment. The Group has established relevant systems such as the "Management System for Occupational Health Examination of Employees" and the "Occupational Disease Prevention and Control Procedure". In the six months ended June 30, 2026, the group organized one fire drill. We diligently enforce safety protocols and operational guidelines, mandating the correct use of personal protective equipment and strictly prohibiting unsafe practices. Additionally, we conduct comprehensive safety and fire safety education and training programs to empower employees with essential first aid knowledge.

In terms of occupational health and safety management for employees, the Group has established relevant systems including the Employee Occupational Health Examination Management System and the Occupational Disease Prevention and Control Procedure.

## BUSINESS

### *Product liability*

We are certified under the QC 080000 and ISO 9001 quality management systems. During the product design and manufacturing stages, we carefully select materials that meet the requirements on hazardous substance control, based on customer specifications. We have implemented a series of management measures, including the *Customer Satisfaction Survey Procedure*, the *Customer Complaint Handling Procedure*, and the *8D Analysis Procedure*.

### **Corporate Governance**

#### *Anti-corruption and Anti-bribery*

We strictly abide by the laws and regulations related to anti-corruption, including but not limited to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) and the Criminal Law of the PRC (《中華人民共和國刑法》).

The Group considers integrity as a vital foundation for corporate sustainability. To maintain a strong business reputation and uphold ethical standards, management officers and other key employees are expected to lead by example in adhering to the Code of Business Ethics, fostering fair competition, regulating commercial procurement and sales activities, and preventing commercial bribery. To ensure employees understand and adhere to relevant laws, regulations, and professional ethics, we provide effective communication and training. Employees are encouraged to report unethical or dishonest behaviour through real-name or anonymous reporting channels.

### **LAND AND PROPERTIES**

We own and lease certain properties primarily to be used as production facilities, warehouses and offices. As of the Latest Practicable Date, we did not have any property with a carrying amount that exceeded 15% of our consolidated total assets. As such, the Company is exempt from strict compliance with the requirements of section 342(1)(b) of the CWUMPO and paragraph 34(2) of the Third Schedule to the CWUMPO. Further, as of the Latest Practicable Date, we did not have any overseas properties, whether owned and leased, apart from the Van Trung Industrial Zone, as described below.

#### **Owned Properties**

We own properties in Vietnam. We had obtained building ownership certificates of all such properties. As of the Latest Practicable Date, we held the title for each of these real estate properties. Our rights to use such construction land were lawful and valid, and there were no disputes or potential disputes over the use rights over such land. The owned properties are not secured by any debt nor used as collateral for mortgages. The table below sets forth a summary of the properties we own/obtain the use rights as of the Latest Practicable Date.

| <u>Location</u>                                                  | <u>Actual Usage</u>          | <u>Area (sq.m.)</u>    |
|------------------------------------------------------------------|------------------------------|------------------------|
| Van Trung Industrial Zone,<br>Bac Ninh Province, Vietnam . . . . | Factories/Industrial<br>Zone | Approximately<br>7,076 |

#### **Leased Properties**

As of the Latest Practicable Date, we leased 85 properties in Huizhou City in Guangdong Province and Ganzhou City in Jiangxi Province, with a total gross floor area of approximately 116,448.8 m<sup>2</sup>. The leased properties are primarily used as industrial, office and residential purposes.

## BUSINESS

We believe our current facilities are sufficient to meet our future needs. We plan to comply with the lease agreement registration requirement regarding our lease agreements. However, as the filing of the lease agreements requires the coordination of both lessors and lessees, the lessors may not cooperate and complete the registration in a timely manner. We will negotiate with our landlord for the renewal of the lease agreement that will expire within six months and we do not anticipate undue difficulty in renewing our leases upon their expiration.

### COMPETITION

According to CIC, based on shipments in 2025, the respective top five suppliers of mini-size lithium-ion batteries for consumer smart terminals and mini-size lithium-ion batteries for wireless earphones accounted for 27.6% and 37.8% of the global market, respectively. We generally compete with other large-scale consumer mini-size lithium-ion battery manufacturers. See "Industry Overview" for more details.

We believe we are well positioned to capture the growth trend in the global consumer mini-size lithium-ion battery industry with our full spectrum product offering, strong and diversified customer base, proven R&D capabilities and advanced manufacturing process. We have established ourselves as a global top five mini-size lithium-ion battery provider for consumer smart terminals, wireless earphones, and hearing aids, respectively. Leveraging our strong market presence and technological expertise across various market segments, we are well positioned to capitalizing on emerging opportunities and delivering innovative, high-quality products to meet evolving customer needs.

### INTELLECTUAL PROPERTY

Owing to the efforts of our R&D team, we have been able to develop and own a series of important intellectual properties and several key technologies. As of the Latest Practicable Date, we owned 445 patents, nine trademarks, seven computer software copyrights, and two copyrights in China, as well as two overseas domain names.

We recognize the utmost importance of intellectual property rights for our success in the market. Therefore, we rely primarily on a combination of trade secrets, patents, copyrights, trademarks, unfair competition laws and contractual rights, such as confidentiality agreement, to protect our intellectual property rights. We protect our intellectual property by limiting the use of open source software, where it is only used in connection with administrative purposes. We have obtained, and are in compliance in all material respects with, the relevant rights and licences required for our use of such software. We have implemented internal compliance procedures to monitor and manage open source software usage, including internal approval and review procedures, maintenance of software usage and licence records. We use genuine and duly licensed software in all aspects of our operations. We have entered into licensing agreements or obtained valid authorizations from software vendors or authorized agents for the software used in all of our operations. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any software piracy or infringement incident, nor had we received any material claim alleging infringement of third-party software intellectual property rights. Certain employees are required to sign an integrity agreement when they join us, and our key management personnel and certain employees holding key positions are also required to enter into a non-compete agreement with us. We also strictly control access to our facilities via a secure entry system, and we adopt comprehensive policies to monitor communication of information to external parties and we adopt comprehensive policies to monitor communication of information to external parties. In some commercial agreements we enter into, we generally state all rights and obligations regarding the ownership and protection of intellectual properties.

## BUSINESS

In addition, to protect our intellectual property rights, address third-party infringement risks and mitigate the recurrence of litigations similar to the historical VARTA matters, we have established intellectual property risk management and internal control measures covering key stages of product development, commercialization and intellectual property management. These measures include, among other things: (i) procedures for timely applying for and registering intellectual property rights arising from our R&D and business activities, and acquiring intellectual property rights necessary for our operations; (ii) patent and rights clearance at key stages of product development and commercialization; (iii) maintenance and monitoring of intellectual property rights, including tracking the registration and authorization status of intellectual property rights and taking timely actions where potential conflicts are identified; (iv) internal reporting and escalation of intellectual property risks; (v) review of publicity and marketing materials; (vi) contractual controls in procurement, sales, outsourcing and technology-related arrangements; (vii) employee confidentiality and intellectual property undertakings; and (viii) periodic market monitoring of potential infringement risks, including engagement of professional intellectual property service providers where appropriate. These measures are implemented by our dedicated in-house intellectual property management team and coordinated by the R&D department together with relevant departments, including sales, procurement and human resources.

After a follow-up review of the rectification measures implemented by the Group, no material control deficiencies were identified in relation to the Group's internal control measures for safeguarding intellectual property rights and monitoring potential third-party infringement risk by our internal control consultant. Based on the above measures, the Directors are of the view that the Group's intellectual property risk management and internal control measures are adequate and effective. Based on the review results of the internal control consultant of the Company in relation to the controls of safeguarding the intellectual property rights of the Company and monitoring of potential risk of infringement of intellectual property rights as mentioned above and the due diligence works conducted by the Sole Sponsor, nothing comes to the Sole Sponsor's attention which cast doubt on the adequacy and effectiveness of the risk management and internal control measures of the Group in relation to its intellectual property rights.

As of the Latest Practicable Date, save as disclosed in this document, we have not been subjected to disputes or claims for infringement upon third parties' intellectual property rights. Please see "Legal Proceedings and Compliance" in this section.

## INSURANCE

We maintain insurance policies in accordance with relevant laws and regulations and based on our assessment of the needs of our operations and industry practices. In accordance with the requirements of relevant laws and regulations, we take out social insurances for our employees working in China, including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance. We believe that our current insurance coverage is adequate to meet the needs of our operations and consistent with industry practices.

## LICENSES AND PERMITS

We are subject to regular inspections, reviews and audits and are required to maintain or renew the permits, licenses and certifications necessary for our operations. We renew all such material permits and licenses from time to time to comply in all material aspects with the relevant laws and regulations. The successful renewal of our existing licenses, permits and approvals will be subject to our fulfillment of relevant requirements. We had not experienced any material difficulty in renewing such certificates, permits and licenses during the Track Record Period and up to the Latest Practicable Date and we do not expect any material difficulties in such renewals so long as we comply with the applicable requirements and conditions set by the relevant laws and regulations.

## BUSINESS

As confirmed by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we had obtained all necessary licenses, approvals, and permits from the competent government departments and regulatory authorities that are material for our business operations in the jurisdictions where we operate, and there are no foreseeable legal impediments to their renewal in due course.

The following table sets forth our key licenses and permits:

| License/Permit                                               | Issuing Authority                                             | Holder                                                  | Grant Date       | Expiration Date    |
|--------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------|------------------|--------------------|
| Radiation Safety Permit . . . .                              | Guangdong Provincial Department of Ecological Environment     | Company                                                 | November 3, 2025 | January 4, 2029    |
| Radiation Safety Permit . . . .                              | Huizhou Municipal Bureau of Ecology and Environment           | Company                                                 | January 5, 2024  | January 4, 2029    |
| Pollution Discharge Permit . .                               | Huizhou Municipal Bureau of Ecology and Environment           | Company                                                 | April 26, 2024   | April 25, 2029     |
| Pollution Discharge Permit . .                               | Huizhou Municipal Bureau of Ecology and Environment           | Company                                                 | March 19, 2025   | March 18, 2030     |
| Pollution Discharge Permit . .                               | Anyuan County Bureau of Ecology and Environment, Ganzhou City | Jiangxi Mic-Power                                       | May 25, 2022     | May 24, 2027       |
| Import and Export Goods Consignor/Consignee Record . . . . . | Huizhou Office of Shenzhen Customs                            | Company                                                 | /                | Long-term validity |
| Import and Export Goods Consignor/Consignee Record . . . . . | Longnan Customs (Subordinated to Nanchang Customs)            | Jiangxi Mic-Power                                       | /                | Long-term validity |
| Import and Export Goods Consignor/Consignee Record . . . . . | Fuzhong Customs (Subordinated to Shenzhen Customs)            | Guangdong Wic-Power New Energy Co., Ltd.* (廣東微儲新能源有限公司) | /                | Long-term validity |
| Import and Export Goods Consignor/Consignee Record . . . . . | Huizhou Office of Shenzhen Customs                            | Guangdong Gic-Power New Energy Co., Ltd.* (廣東微金新能源有限公司) | /                | Long-term validity |

## AWARDS AND RECOGNITIONS

The Company has received multiple awards and recognitions at the national, provincial and municipal levels for its technological capability, industry leadership and intellectual property management. For details, see “History and Corporate Structure — Key Business Milestones.”

## BUSINESS

### LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we were not a party to any actual or threatened material legal or administrative proceedings. We are committed to maintaining the highest standards of compliance with the laws and regulations applicable to our business. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business.

We are committed to complying with the laws and regulations applicable to our business. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our business, financial condition, or results of operations as a whole.

As confirmed by our PRC Legal Advisor, our business operations had been carried out in compliance with applicable PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

As advised by our Vietnam Legal Advisor, and as required under the applicable laws, Mic-Power Vietnam has received its Investment Registration Certificate. See "Regulatory Overview — Laws and Regulations on Investment in Vietnam" for further details. In addition, our Vietnam Legal Advisor has confirmed that Mic-Power Vietnam's registered business lines do not fall under the categories which would subject the Group's investment in Mic-Power Vietnam to foreign ownership restrictions under the applicable Vietnamese laws, and the Group is permitted to conduct the registered business activities of Mic-Power Vietnam.

### Resolution of Historical Patent Proceedings involving VARTA

Between 2020 and 2022, we were involved in patent proceedings in the U.S. and China with VARTA Microbattery GmbH ("**VARTA**") in relation to certain historical models of partially sealed metal-casing button batteries (the "**Patent Proceedings**"). From June to July 2020, the parties engaged in mediation and entered into a settlement agreement to formally conclude all outstanding claims and proceedings. No findings of infringement were made against us and all relevant proceedings have since been dismissed with prejudice or otherwise closed.

As advised by the Company's U.S. Legal Advisor, on the basis that (i) the relevant settlement arrangements were entered into to resolve the Patent Proceedings, pursuant to which the parties mutually released each other from past claims and liabilities and covenanted not to sue; (ii) the related proceedings have been dismissed with prejudice or otherwise withdrawn; and (iii) we have not received any further claim, demand or proceeding from VARTA since the settlement and up to the Latest Practicable Date, the Patent Proceedings have been fully and finally resolved, and the likelihood of any re-opening of such historical claims by VARTA against us is low. Further, we have ceased the production and sale of the historical models of partially sealed metal-casing button batteries in accordance with the settlement agreement, and no revenue generated by us during the Track Record Period violates our obligations thereunder. We do not consider that the Patent Proceedings had any material adverse impact on our business operations or financial performance during the Track Record Period. As of the Latest Practicable Date, we have not had any unsettled dispute with VARTA.

For details of the senior management personnel responsible for overseeing the R&D department and the Group's internal control measures relating to intellectual property rights, see "Business — Research and Development — R&D Team" and "Business — Intellectual Property."

## BUSINESS

### Environmental permit matter relating to Mic-Power Vietnam

Mic-Power New Energy Vietnam Company Limited (“**Mic-Power Vietnam**”) has obtained the environmental permit required for the operation of the Vietnam Production Base under applicable Vietnam environmental laws, being Environmental Permit No. 1288/GPMT-UBND (the “**Permit**”), on May 19, 2026. The delay in obtaining the Permit was primarily attributable to the merger of Bac Giang Province, where Mic-Power Vietnam is located, with Bac Ninh Province and the resulting transitional reorganisation of the relevant provincial authorities, during which certain administrative functions and procedures had not yet been fully clarified.

Prior to obtaining the Permit on May 19, 2026, the Vietnam Production Base carried out non-commercial activities including equipment procurement and commissioning, sample testing and employee training to prepare for future commercial production. During such time, a limited amount of trial production of semi-finished products was carried out at the Vietnam Production Base, which did not involve any direct external sales. During the period prior to obtaining the Permit, no administrative penalty, cessation order or other administrative decision was imposed on Mic-Power Vietnam in relation to the outstanding Permit. As advised by our Vietnam Legal Advisor, the risk of the relevant authorities retroactively investigating the trial production activities conducted prior to obtaining the Permit and imposing penalties in respect of such trial production is relatively low, on the basis that the Company has already obtained the Permit. If the relevant authorities were to inspect and retroactively enforce any penalties, as advised by our Vietnam Legal Advisor, we could face a fine of up to VND340,000,000 (equivalent to approximately HK\$100,100 based on the relevant exchange rate as of the Latest Practicable Date). The limited trial production activities carried out in the Vietnam Production Base in the absence of the Permit was an oversight of the local legal requirement. To prevent recurrence of similar compliance lapses, the Group has enhanced its internal control measures, including designating responsible personnel to monitor permit and licence requirements, maintaining a permit and licence register, engaging external legal and environmental advisers to review permit implications before operational changes are implemented, introducing internal escalation procedures for new production lines, renovations and capacity expansion, and strengthening periodic compliance review and management reporting.

The Directors are of the view that the delay in obtaining the Permit did not have any material adverse impact on the Group’s business operations or financial performance, taking into account that the relevant activities were primarily preparatory in nature, no external sales were involved, no penalty or suspension order had been imposed, and Mic-Power Vietnam had already obtained its environmental impact assessment report, implemented wastewater and hazardous waste handling arrangements, and received the Permit.

### Social insurance and housing provident fund contributions

During the Track Record Period and up to the Latest Practicable Date, certain of our PRC companies 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 in 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.

## BUSINESS

The shortfall primarily arose because (i) certain employees were unwilling to participate in such social insurance and housing provident fund schemes as their take-home salaries would be reduced; (ii) certain migrant workers were reluctant to participate in social welfare schemes in the cities where they temporarily resided, as such contributions are generally not transferable between cities; and (iii) certain employees who were already enrolled in the new rural cooperative medical insurance scheme were, in practice, unable to participate in some urban social insurance schemes. 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, based on the following factors:

- under the relevant policy documents issued by the State Taxation Administration and the General Office of the State Council, competent authorities are not expected to proactively conduct centralized recovery of historical social insurance contribution shortfalls from enterprises. In particular, the relevant policy documents provide that local tax authorities should not, on their own initiative, organize centralized recovery of historical contribution shortfalls or take measures that would increase enterprises' actual contribution burden and cause difficulties to their production and operation;
- during the Track Record Period, the Group's relevant PRC companies had not been subject to any administrative penalty by the competent social insurance or housing provident fund authorities in relation to social insurance or housing provident fund contributions;
- the Group's relevant PRC companies had not received any notice from the competent social insurance or housing provident fund authorities requiring them to make up historical contribution shortfalls as of the Latest Practicable Date.
- the relevant competent social insurance and housing provident fund authorities had issued compliance certificates confirming that the relevant PRC subsidiaries complied with applicable social insurance and housing provident fund laws and regulations during the Track Record Period, had not been subject to administrative penalties, had not been the subject of complaints or reports relating to social insurance or housing provident fund matters, and would not be subject to centralised recovery of social insurance or housing provident fund contributions or material administrative penalties in this regard; and
- Mr. Chen Zhiyong and Mr. Xu Jiangtao, have provided undertakings to indemnify the Group for any costs, expenses or losses arising from any failure by the Group to make full social insurance and housing provident fund contributions in accordance with applicable laws and regulations.

The Group had already commenced rectification of the shortfalls, and the outstanding unpaid amount for social insurance and housing provident fund during the Track Record Period was RMB10.9 million. The Company will progressively address these issues in the future until they are fully resolved. The Group has also enhanced its internal controls over employee contribution compliance. Having considered the shortfall amount, penalty exposure, rectification status, and the absence of any material enforcement action, the Directors are of the view that the historical shortfalls have not had, and are not expected to have, a material adverse impact on the Group.

## BUSINESS

### Unregistered lease agreements

As of the Latest Practicable Date, 23 leases related to the Group's 85 leased properties in the PRC had not completed the required lease registration/filing procedures (the "**Unregistered Leases**"). Such leased properties are primarily used as staff dormitories for our employees.

As advised by our PRC Legal Advisor, failure to complete lease registration and filing procedures in accordance with applicable laws and administrative regulations does not affect the validity of the relevant lease agreements. Accordingly, the non-registration of the Unregistered Leases does not render such leases invalid, and the relevant landlords are not entitled to terminate the lease agreements solely on the basis that the lease registration and filing procedures have not been completed. As further advised by our PRC Legal Advisor, where lease registration and filing procedures are not completed, the competent authorities may first order the relevant party to rectify the non-compliance within a prescribed time limit, and only if the relevant party fails to rectify within such time limit may such entity be subject to a fine of not less than RMB1,000 and not more than RMB10,000 for each unregistered lease agreement. The Group undertakes that it will actively pursue the completion the lease registration and filing procedures, and if it receives any rectification order from the competent authorities, it will take prompt steps to complete the registration and filing procedures within the prescribed time limit. On this basis, as advised by our PRC Legal Advisor, the likelihood of the Group being subject to fines for failure to rectify within the prescribed time limit is low, and the likelihood of the Group being subject to the maximum aggregate fine of RMB230,000 is remote.

As such, our PRC Legal Advisor are of the view that such non-registration does not affect the validity of the leases between the contracting parties, although it may result in a fine of up to RMB10,000 for each unregistered lease. However, the likelihood of receiving the maximum penalty is low, and such non-registration would not pose any material adverse impact on the business operation and financial performance of the Group.

The Directors consider that the Unregistered Leases have not had, and are not expected to have, any material adverse impact on the Group, taking into account. If relocation is required, the Directors believe that alternative premises of comparable scale and suitability could be secured in a short amount of time at a similar cost. The Group has also enhanced its internal controls over lease registration and compliance to prevent recurrence by establishing a centralized register of leased properties and registration status, assigning responsible personnel to monitor lease registration and renewals, requiring legal review of new leases and renewals, implementing a checklist-based approval process, and conducting periodic compliance reviews.

### DATA PRIVACY

We are committed to place emphasis on information security management, drawing on international best practices in our operation, and we strive to provide a safe, secure environment for our customers. We are committed to compliance with applicable laws, regulations and industry standards. We have formulated comprehensive response measures over information system risks. By establishing a high-standard data security management system that ensures full coverage, we have laid a robust foundation for information security, benefitting both domestic and international clientele.

## BUSINESS

To strengthen our information security management system, we have implemented key policies and frameworks, including the Information Security Management System, the Policy for Information Security, and Information Security Governance. We established an Information Security Management System (ISMS) and enhanced related policies and documents under the ISO 27001 framework. Additionally, we integrated our risk management framework into the ISMS to proactively assess and address cybersecurity risks, protecting our assets and minimizing vulnerabilities. We also adopted cloud backup solutions to mitigate data loss risks and reinforce data security. We are fully committed to complying with the laws and regulations of the regions where we operate, including China.

We strictly abide by the Cybersecurity Law of the People’s Republic of China (《中華人民共和國網絡安全法》), Data Security Law of the People’s Republic of China (《中華人民共和國數據安全法》), the Personal Information Protection Law of the People’s Republic of China (《中華人民共和國個人信息保護法》), and other applicable national or regional laws and regulations to conduct business.

As advised by the Company’s PRC Legal Advisor and based on the measures the Company has been taking described above, the Company had complied with applicable laws and regulations relating to cybersecurity, data privacy and protection and cross-border data transmission in all material respects during the Track Record Period and up to the Latest Practicable Date.

### RISK MANAGEMENT AND INTERNAL CONTROL

We have established and implemented a comprehensive risk management and internal control process through which we address risks arising from R&D, procurement management, production management and sales management. We have put in place a set of operational risk analysis and response measures so as to achieve risk aversion, risk reduction and risk response by properly identifying, categorizing and analyzing various risks.

To oversee ongoing post-listing risk management and corporate governance, we have taken and will or continue to take measures including the following: (a) our Board monitors internal controls, assesses effectiveness and sets risk tolerance, (b) our audit department develops relevant policies, reviews key risk matters and oversees implementation, (c) our finance, legal compliance, human resources and other relevant departments execute daily risk management, (d) our internal audit and legal teams regularly verify all valid registrations, licenses and approvals, (e) we will arrange regular external legal training for Directors and senior management on listing rules and PRC laws, (f) we will establish formal procedures for license management, regulatory updates, contract administration and litigation response, and (g) we will strengthen controls over information security, software licensing and cross-border data transfers in compliance with applicable PRC requirements.

In addition, we have implemented comprehensive anti-bribery and anti-corruption mitigation measures, including (a) issued a policy covering monitoring, escalation, investigation and reporting of improper conduct, (b) established a whistle blower mechanism with dedicated reporting channels, investigation procedures and protocols, (c) adopted an economic sanctions risk control policy enforced by legal and business management with implementation steps, and (d) provided regular anti-corruption compliance training to all employees, including new hires.