
RISK FACTORS

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our H Shares. These risks could materially and adversely affect our business, financial condition and results of operations. The [REDACTED] of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your [REDACTED]. You should pay particular attention to the fact that substantially all of our operations are conducted in the PRC, which is governed by a legal and regulatory environment that may differ significantly from that of other countries. For more information concerning the PRC and certain related matters discussed below, see “Regulatory Overview” and “Appendix IV – Summary of Principal Legal and Regulatory Provisions” in this document.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in “Forward-looking Statements.”

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business is affected by conditions in the energy storage industry; in particular, potential adverse development of the supply-demand dynamics of energy storage industry may significantly affect the price and market demand of our product.

We provide energy storage products that are primarily used for telecom base stations and data centers. Accordingly, our results of operations have been and are expected to continue to be affected by downstream demand and the market development of the telecom base stations and data centers markets. Strong growths in the global and China’s telecom base stations and data centers markets, and the corresponding growth in the added installed capacity of energy storage in such markets, were major drivers for our growth during the Track Record Period. For details, see “Industry Overview” in this document. The downstream demands for energy storage products are affected by many factors, such as:

- the government policies which promote the development of energy storage products;
- the rapid development of telecom networks and data centers; and
- energy storage technologies boosting data center and telecom industries’ efficiency and economic sustainability.

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There is no assurance that the market growth of the telecom base stations or data centers will maintain at the same level as we experienced during the Track Record Period which drove our revenues increase rapidly, or continue to increase in the future. If such downstream demands do not increase as we expect, the market demand for our products will decrease correspondingly, which may result in underutilization of our production capacity, and in turn materially and adversely affect our business, financial condition and results of operations.

We may not be able to derive the desired benefits from our research and development efforts, and keep up with the latest technological development and industry trends, which may negatively affect our competitiveness and profitability.

Technological innovation is critical to our success. We make significant investments in product R&D, which we believe are crucial factors for our future growth and prospects. To maintain and expand our competitive advantage, we plan to continue our investment in our R&D efforts. For the years ended December 31, 2022, 2023 and 2024, our research and development expenses amounted to RMB100.7 million, RMB112.8 millions, and RMB110.5 million, respectively. In addition, we have been actively engaging in the R&D of the next generation of products and materials, which we consider crucial for us to maintain our leading industry position and achieve sustainable development. For details, see “Business — Research & Development — Our Key R&D Projects” in this document.

However, as R&D activities are inherently uncertain, we cannot assure you that our R&D projects will be successful or be completed within the anticipated time frame and budget, or that our newly developed products will be commercialized. Even if such products can be successfully commercialized, we cannot assure you that they will be accepted by our customers and achieve the anticipated sales target or profit.

In addition, we cannot assure you that our existing or potential competitors will not develop products which are similar or superior to our products or are more competitively priced. Due to uncertainties in the time frame for developing new products and the duration of market window for these products, there is a substantial risk that we may have to abandon a potential product that is no longer commercially viable, even after we have invested significant resources in the development of such product. If we fail in our product launching efforts, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We operate in a competitive industry and many of our competitors may be more established, resourceful or adaptive, we may not be able to effectively compete with other industry players.

The global and Chinese market for energy storage products is intensely competitive and continuously evolving. Both our competitors and us need to make improvement and upgrade the existing products from time to time. To effectively compete, we have been continuously improving technologies, products and production capacity, which may be unsuccessful and incur risks of missing market opportunities and losing market share and in turn negatively affect our performance.

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In addition, some of our current and potential competitors may have a longer operating history, stronger brand recognition, more established relationships with customers, greater financial and other resources, a larger customer base, better access to raw materials and greater economies of scale than we do. Some of our competitors may also have closer relationships or may enter into exclusive relationships with some of the key customers in the market. As a result, they may be able to respond more quickly to changing customer demands or devote greater resources to the development, promotion and sales of their products to respond to the changing customer demand. In the meantime, some of our competitors may have more diversified product offerings comprising different types of energy storage products from ours, which may better position them to withstand a decline or shift in demand for certain types of energy storage products. Moreover, many market players in China, who may have more capital, market and/or technology resources than we do, have been actively expanding their production capacity of energy storage products in recent years. Leveraging their competitive advantages, they may enjoy benefits from economy of scale, and adopt aggressive business expansion strategy, which allow them to offer their energy storage products at a price similar or lower than ours, resulting in decreased customer demand from us. If we fail to compete successfully, our business will suffer, and we may not be able to maintain or increase our market share.

Furthermore, as we have a global footprint and sell our products to overseas customers, we are subject to competition globally. In certain of our target markets, local state-owned and private companies have been taking advantage of the significant market opportunity created by attractive financial incentives and favorable regulatory environment that may not be available to us. State-owned companies may have stronger relationships with local governments in certain regions, and private companies may be more focused and experienced in manufacturing and selling energy storage products in the markets where we compete. Our failure to adapt to changing market conditions and to compete successfully with existing or new state-owned or private competitors will limit our growth and will have a material adverse effect on our business and prospects. We cannot assure you that we can compete successfully in the markets in which we operate or the ones we plan to enter in the future.

We are exposed to price fluctuations of raw materials, and we may not be able to adjust our prices to fully offset the increased costs of raw materials, which will adversely affect our profit margins, result of operations and financial condition.

Prices of raw materials have a significant impact on our cost of sales. For the years ended December 31, 2022, 2023 and 2024, costs of raw materials accounted for 83.5%, 84.6%, and 82.7% of our cost of sales, respectively. For details, see “Financial Information — Major Factors Affecting Our Results of Operations — Fluctuation in Prices of Raw Materials” in this document. The current or expected supply of our key raw materials may fluctuate depending on a number of factors beyond our control, including but not limited to the availability of resources in the raw materials market, market demand, potential speculation, market disruptions, natural disasters and other factors. We may not be able to obtain stable, high-quality raw materials at reasonable prices at all times. Raw materials for our products primarily include lead ingots, lead alloys, lithium iron phosphate, graphite, separators, electrolytes, and other auxiliary materials.

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Historically, we experienced price fluctuations of key raw materials needed for our products. According to Frost & Sullivan, graphite prices declined initially from RMB44,000 per ton in 2019 to RMB37,000 per ton in 2021 due to increased production capacity and efficiency gains. However, prices began rising from RMB37,000 per ton in 2021 and reached RMB47,000 per ton in 2022, driven by heightened demand from applications such as the electric vehicle sector, with future trends suggesting potential stabilization or slight decreases due to advancements in mining technology and evolving demand dynamics. Conversely, the average price of aluminum alloy steadily increased from RMB14,619 per ton in 2019 to RMB21,295 per ton in 2022, driven by growing downstream demand and limited supply, before experiencing a decrease in 2023 to RMB19,491 per ton, and the average price has rebounded to RMB20,437 per ton in 2024. Besides, prices of lead ingots and lithium carbonate also experienced fluctuations. After the short-term price drop of lead ingots in 2019, from 2020 to 2023, the price of lead ingots has shown a steady increase and price of lead ingot maintained at the price range from RMB14.0 thousand per ton to RMB17.5 thousand per ton. In 2024, the price of lead ingots rose to RMB17.6 thousand per ton in the second quarter and dropped back to RMB16.8 thousand per ton in the fourth quarter. Lithium carbonate prices first dropped to an average of RMB48.0 thousand per ton in 2020 and then, the price of lithium carbonate experienced significant growth between 2020 and 2022, and later dropped to RMB81.9 thousand per ton in the fourth quarter of 2024, according to Frost & Sullivan. For details, see “Industry Overview — Battery and Raw Materials Price Analysis” in this document.

We cannot assure you that we will not experience significant increases in the prices of raw materials in the future. Under such circumstances, we may need to adjust the prices of our products accordingly to pass down the increased costs onto our customers or procure other sources of supply of raw materials to maintain our profit. However, we cannot assure you that we will be able to pass all or a portion of the increased costs to our customers due to factors such as competition, or we will be able to find alternative sources in a timely and cost-effective manner, or at all.

The average selling price of our products may face downward pressure because of decline in raw material prices and decreasing trend of market prices of batteries, which will adversely affect our profit margins, result of operations and financial condition.

The average selling price of our products is influenced by a variety of factors beyond our control, including but not limited to raw material costs, competitor pricing, market trends and labor costs. During the Track Record Period, our product prices have experienced fluctuations. The average selling price of our lithium-ion battery increased from RMB948.3/kWh in 2022 to RMB979.2/kWh in 2023. The average selling price of our lithium-ion battery decreased from RMB979.2/kWh in 2023 to RMB698.6/kWh in 2024. For lead-acid battery, its average selling price increased from RMB490.3/kWh in 2022 to RMB506.7/kWh in 2023. The average selling price of our lead-acid battery remained stable, from RMB506.7/kWh in 2023 to RMB509.5/kWh in 2024. During the track record period, the decrease of average selling prices of our products is mainly due to decrease in price of raw materials, such as lithium iron phosphate, which is in line with industry trend. See “Financial Information — Year to Year Comparison of Results of Operations” in this document for details.

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We cannot predict the future trend of the average selling price of our products, nor can we guarantee that the fluctuation of average selling price will not continue. A continued decline in the average selling price could result in reduced gross profit margins and net profit, which may adversely affect our results of operations and financial condition.

Our business, financial condition and results of operations may be subject to adverse effect from the risk of customer concentration or our ability to retain existing customers and attract new customers.

For the years ended December 31, 2022, 2023 and 2024, our revenues from the top five customers was approximately RMB2,210.0 million, RMB1,964.5 million, and RMB1,723.3 million, respectively, accounting for 54.2%, 46.1%, and 38.3% of our total sales during the respective year. During the same years, our revenues from the largest customer for the respective year was RMB990.3 million, RMB907.5 million, and RMB589.6 million, respectively, accounting for 24.3%, 21.3%, and 13.1% of our total sales during the respective year. For details, see “Business — Sales, Marketing and Customers — Our Customers” in this document.

According to Frost & Sullivan, the market for the telecom base station is highly concentrated with large State-Owned Enterprises occupying substantial market shares, and thus we are and may still be subject to risks arising from the customer concentration. We cannot assure you that our major customers will not diversify their suppliers, change their business scope or business model nor suspend their operation, or they will not encounter any operating or financial difficulties. Any material adverse changes in the business, operation and financial conditions of our major customers may in turn have a material adverse effect on us.

In addition, there is no assurance that we could retain our existing customers or attract new customers as we did during the Track Record Period. If we fail to retain our existing customers or attract new customers in the future because our products could not meet the requirements of the market, or that our selling prices are not competitive, or due to other factors as disclosed in this section of this Document, our business, financial conditions and results of operations will be adversely affected. There is no assurance that we are able to maintain good relationship with our major customers, or our major customers will continue to have high demands for our products in the future. Under the aforementioned circumstances, if we are unable to identify and acquire suitable new customers within a reasonable period of time, our business, financial condition and results of operation may be materially and adversely affected.

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Our operating history may not be a reliable predictor of our prospects and future results of operations.

We experienced growth during the Track Record Period. In order to meet rapidly growing demands for quality products by our customers, we have grown rapidly, built up or expanded our production capacity, and recruited, trained and managed employees in the past few years. The success of new capacity projects is affected by a number of factors beyond our control, such as construction progress, local laws and regulations, government support and customer demand for expanded capacity. Our future operating results depend to a large extent on our ability to manage our expansion and growth successfully. Risks that we face in undertaking our construction/expansion plan include, among others:

- managing our supply chain to support fast business growth;
- managing a continuing growing organization as we expand;
- continuing to improve our operating efficiency;
- controlling expenses and investments in anticipation of expanded operations;
- implementing and enhancing administrative infrastructure, system and processes;
- executing our strategies and business initiative successfully; and
- addressing new markets and potentially unforeseen challenges as they arise.

If we are unable to manage our growth effectively, we may be unable to take advantage of market opportunities, execute our business strategies or respond to competitive pressures which could have a material adverse effect on our results of operation and prospects.

Our historical performance is not indicative of our future performance as we went through rapid growth and changes. We may not always be accurate in predicting industry trends that may emerge and affect our business. Investors should comprehensively consider our business and prospects in light of the risks and challenges we face in our industry, including our ability to continuously drive technical advancement, effectively manage our supply chain, enhance and maintain operational efficiency, and effectively manage our growth in the face of the ever-changing regulatory environment and adapting to changing market conditions, including technological developments and changes in the competitive landscape. If we fail to address any of the aforesaid risks and challenges, our business, financial condition and results of operations could be materially and adversely affected.

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We cannot assure you that we can sustain our revenues and profit growth in the future. Our profitability depends partially on our ability to control costs and operating expenses, which may increase as we expand our business. In addition, we may continue to devote significant resources to expand our business operations, which may require increased sales and marketing expenses, among others. Such expansion could negatively impact our short-term profitability and cash flows. If our business expansion is proven to be ineffective, and we fail to increase revenues, or if our cost and operating expense grow faster than our revenues, our business, financial position and results of operations may be negatively affected.

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

For the years ended December 31, 2022, 2023 and 2024, our lithium-ion battery production capacity was 1.58 GWh, 2.17 GWh and 2.13 GWh, respectively, and our lead-acid battery production capacity was 6.25 GWh, 6.62 GWh and 6.62 GWh, respectively. We may increase our production capacities through our expansion projects so as to meet customers’ expected demands for our products in the future.

Such expansion will impose significant responsibilities on our senior management and require significant commitment of our resources, including financial resources and the time needed to identify, recruit, maintain, and integrate additional employees. Our proposed expansion will also expose us to greater overhead and support costs and other risks associated with the manufacture and commercialization of new products. Difficulties in effectively managing the budgeting, financing, forecasting and other process control issues presented by such expansion could negatively affect our business, prospects, results of operations and financial condition. Such expansion is also required to obtain various approvals, permits, licenses and certificates and complete relevant inspections by competent government authorities. There is no assurance that we will be able to execute our expansion plan as contemplated or at all. Any delay or failure to obtain relevant approvals, permits, licenses and certificates or complete the inspections for our production expansion projects may materially delay our production expansion or even result in the cancellation of such plans, which may adversely affect our business, financial conditions and results of operations.

However, even if we manage to expand our production capacity as planned, there is no assurance that we may increase our production output in a timely manner or at all as envisaged. Our ability to increase our production output is subject to significant constraints and uncertainties, including but not limited to:

- delays by our suppliers and equipment vendors and cost overruns as a result of a number of factors, many of which may be beyond our control or cannot be foreseen, such as increases in raw material prices and problems with equipment vendors;

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- delays in government approval process or denial of required approvals for production by relevant government authorities;
- our ability to configure the production lines for specific products in a timely manner; and
- the performance and efficiency of the manufacturing equipment we procured and the production expertise we retained;

Moreover, our product development, manufacturing and testing protocols are complex and require significant technological and production process expertise. Any change in our processes could cause one or more production errors, requiring a temporary suspension or delay in our production line until the errors can be researched, identified, and properly addressed and rectified, and thus limit our production output. This may occur particularly as we introduce new products, modify our engineering and production techniques, and/or expand our production capacity. In addition, our failure to maintain appropriate quality assurance processes could result in increased product failures, loss of customers, increased warranty reserve, or increased production and logistics costs, and delays. If we are unable to increase our production output in a timely manner or at all in the end because of any of the risks described above, we may be unable to fulfill customer orders or achieve the growth we expect. In addition, if we are unable to fulfill customer orders, our reputation could be affected, and our customers could source products from other companies. The combination of the foregoing could materially and adversely affect our business, financial condition and results of operations.

The reduction, modification, delay or elimination of government grants and other economic incentives may affect our business.

We received government grants of RMB36.4 million, RMB87.0 million and RMB79.9 million for the years ended December 31, 2022, 2023 and 2024, respectively. Not all of the government grants are recurring in nature. According to Frost & Sullivan, in the near term, the market demand for energy storage products, including our lithium-ion batteries, will continue to be affected by the availability of government incentives. Government-sponsored financial incentives to promote energy storage include subsidies from the central and local governments, preferential tax rates and other non-monetary incentives. The availability and size of such subsidies and incentives depend, to a large extent, on political and policy developments relating to environmental concerns and other macro-economic factors.

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Moreover, government incentive programs are expected to gradually decrease in scope or be discontinued as energy storage technology improves and becomes more affordable. Negative public or community response to energy storage projects could adversely affect the government support and approval of our energy storage business. In addition, our Company was qualified as a High and New Technology Enterprise in 2019 and 2022 and is entitled to a preferential tax rate of 15% from 2019 to 2025. This qualification is subject to review by the relevant tax authority in the PRC for every three years. For details, see “Financial Information — Description of Major Components of Our Results of Operations — Income Expense” in this document. We cannot assure you that we will be able to receive any such government grants in the future. If we are unable to receive the government grants in the future at the same level as we had during the Track Record Period, or if there are any adverse changes in government regulations and policies relating to energy storage industry and their implementation, especially those relating to economic subsidies and incentives, could significantly reduce the profitability of our business and materially and adversely affect the state of the industry.

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

In order to operate our business effectively and meet our consumers’ demands and expectations, we must maintain a certain level of inventory to meet the needs of production and ensure timely delivery of our products. As of December 31, 2022, 2023 and 2024, we had inventories of RMB537.0 million, RMB459.2 million and RMB551.0 million, respectively. We are committed to adopting a flexible approach to inventory management, adjusting our inventory levels in response to market demand fluctuations. When market demand increases, we correspondingly raise our inventory levels to ensure supply stability. However, such an approach is inherently uncertain, and the demand for our products could change significantly between the order date and the projected delivery date. We cannot assure you that we are able to always maintain optimal inventory levels in the future. If we fail to accurately assess the demand, we may experience inventory obsolescence and inventory shortage risk. Inventory levels in excess of demand, or substantial decrease in the expected market price of our products, may result in inventory write-downs or write-offs and we may sell the excess inventory at discounted prices, which would have an adverse effect on our profitability. Furthermore, if we underestimate the demand for our products, we may not be able to produce a sufficient number of products to meet such unanticipated demand, which could result in delays in the delivery of our products and negatively affect our reputation.

For the years ended December 31, 2022, 2023 and 2024, we recorded loss allowance for impairment of inventories of RMB14.8 million, RMB53.8 million and RMB31.5 million, respectively. Demand forecasts are inherently uncertain despite supply chain management mechanisms due to a number of factors, such as launch of new products, pricing, changes in customer procurement decisions and evolving preferences of consumers of energy storage products, each of which may affect the accuracy of any forecast. We may record impairment losses from time to time in accordance with our impairment policies. Any of the above may

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materially and adversely affect our business, results of operations and financial condition. As we plan to continue to expand our production capacities, we may continue to face challenges in effectively managing our inventory.

We are exposed to credit risk of our customers and failure to collect our trade and bills receivables in a timely manner may affect our financial condition and results of operations.

As of December 31, 2022, 2023 and 2024, our trade and bills receivables amounted to RMB1,862.2 million, RMB1,609.3 million and RMB2,309.1 million, respectively. Our trade and bills receivables turnover days were 136.5 days, 146.7 days and 157.2 days for the years ended December 31, 2022, 2023 and 2024, respectively. The fluctuation of our trade and bills receivables may influence our cash flow generated from operating activities. We recorded net cash flows generated from operating activities of RMB15.4 million, RMB907.2 million and RMB261.4 million for the years ended December 31, 2022, 2023 and 2024, respectively.

Should the creditworthiness of our customers deteriorate or should a significant number of our customers fail to settle their trade and bills receivables in full for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected. In addition, there may be a risk of delay in payment by our customers beyond their respective credit period, which in turn may also result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade and bills receivables from the customers or that they will settle our trade and bills receivables in a timely manner. In the event that settlements from customers are not made on a timely manner, or at all, our financial position and results of operations may be materially and adversely affected.

There is uncertainty as to the tender success rate of our Group in the future.

Some of our revenue is derived from contracts awarded through tendering and such contracts are not recurring in nature. During the Track Record Period, some of our revenue were generated from projects that were awarded by either public tender or invitation by tender. Our Group’s tender success rates for the years ended December 31, 2022, 2023 and 2024 were approximately 34.8%, 38.0% and 39.5%, respectively. We cannot guarantee that we will be invited to participate in the tender process and even if we are invited, our tender success rate is influenced by the following factors, including but not limited to (i) our production capacity; (ii) the number of tenders submitted by our Group and (iii) the pricing and other terms and conditions offered by our competitors, which is beyond our control. Therefore, we cannot assure you that we will succeed in the tender process and we may not be able to maintain or increase our tender success rate. Moreover, we may not be awarded with new contracts by our customers upon expiry of the existing contracts. If our Group is not able to maintain the current tender success rate, or if we are unable to secure new orders with a contract sum similar to or larger than the contract sum of our current ones on a continuous basis, our revenue and operation may be materially and adversely affected.

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Our business depends on our ability to protect our intellectual property rights, and we may be exposed to intellectual property infringement, misappropriation claims or invalidation applications by third parties, which, if determined adversely to us, could cause us to pay significant damage and subject us to injunctions prohibiting sale of our products in certain markets. We may not be able to prevent the unauthorized use of our intellectual property rights by others, which could damage our business and competitive position.

We rely primarily on a combination of our patents, trade secrets, trademarks, the confidentiality agreements signed by the employees, and confidentiality agreements signed with the third parties to protect our intellectual property rights. Although we have applied and obtained a number of trademarks and patents for the operations of our business, there is no assurance that we are able to successfully apply and be granted new intellectual property rights in a timely and cost-effective manner in the future, for such applications are expensive and time consuming. For details, see “Business — Intellectual Property” in this document. Despite our efforts to protect our proprietary rights, unauthorized parties may be able to obtain and use information that we regard as proprietary. Under such circumstances, to protect our intellectual property rights and maintain our competitive advantages, we may initiate legal proceedings against parties who we believe are infringing our intellectual property rights. Legal proceedings are often costly and may divert management attention and resources away from our business. In certain situations, we may have to initiate such legal proceedings in foreign jurisdictions, in which case we are subject to additional risks as to the result of the proceedings, the amount of damages that we can recover, and the enforcement process. As of the Latest Practicable Date, we were not involved in any legal proceeding against parties who we believe are infringing upon our intellectual properties.

Our success is also subject to our ability to use, develop and protect our technology and trade secrets without infringing the intellectual property rights of third parties. Others may hold or obtain patents, copyrights, trademarks, or other proprietary rights used in our products and service. This might prevent, limit, or interfere with our production, use, development, sales, or marketing, and could therefore disturb our daily operations and distract our management. From time to time, we may receive communications from intellectual property right holders regarding their proprietary rights. Companies holding patents or other intellectual property rights may bring suits alleging infringement of such rights or otherwise assert their rights and urge us to obtain licenses. Our uses of trademarks relating to our design, software, technology could be found to infringe upon existing intellectual property rights owned by others. In addition, if we are found to have infringed upon a third party’s intellectual property rights, we may be required to do one or more of the following:

- cease to sell products that are involved in the challenged intellectual property rights owned by others;
- pay damages;
- redesign our products; or
- establish and maintain alternative branding for our products.

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The validity and scope of any potential claims/requests can be complicated and involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings or requests can be both costly and time consuming and may significantly divert the efforts and resources of our management. A determination in any such litigation or proceedings or requests to which we are a party may invalidate our patents, subject us to pay damages to third parties, require us to seek licenses from third parties, pay ongoing royalties, redesign our products, subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Any of the aforementioned will materially and adversely affect our business, financial condition and results of operations. As of the Latest Practicable Date, we were not involved in any legal proceeding against us for the infringement upon intellectual properties of third parties.

Unsatisfactory performance of or defects in our products may cause us to incur additional expenses and warranty costs, tarnish our reputation and cause our sales and market share to decline.

Designing, manufacturing and selling quality products that are safe and reliable are of vital importance to our business. However, the lithium-ion battery can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium-ion batteries. Additionally, lead-acid batteries contain heavy metals such as lead and lead alloys, which, if disposed of improperly or dismantled without following environmental regulations, can potentially cause environmental pollution. This faulty result could subject us to lawsuits of product liability claims, product recalls, or redesign efforts, all of which would be time consuming and expensive.

We are exposed to the risk of product recalls, which could arise from various factors including, but not limited to, design flaws, manufacturing defects, component failures, or non-compliance with safety standards. Product recalls can have significant adverse effects on our operations, financial condition, and reputation. If a recall is necessary, we may incur substantial costs related to the repair, replacement, or refund of the affected products. Additionally, a recall could lead to legal liabilities, regulatory penalties, and a loss of customer trust. These events may negatively impact our market share and profitability, and could result in long-term damage to our brand and competitive position. A successful product liability claim against us could require us to pay for substantial damages. Product liability claims against us, whether or not successful, are costly and time-consuming to defend. In the event that our products prove to be defective, we may be required to redesign or recall such products. We cannot assure you that a product liability claim will not be brought against us in the future. A product liability claim, with or without merit, could result in significant adverse publicity against us, and could have a material adverse effect on the marketability of our products and our reputation, which in turn, could have a material adverse effect on our business, financial condition and results of operations. Moreover, we may not be fully indemnified or indemnified at all if liabilities arise from faulty components manufactured by our suppliers that are used in our products, or results from the faulty assembly.

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Our product liability insurance to cover liabilities arising from product liability claims and product recalls in the PRC may not be sufficient to cover potential liability claims. Inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product recalls and product liability claims could prevent or inhibit the commercialization of our products or could result in a loss of customers and decrease in revenues, unexpected expenses and a loss of market share. If any of our products are found to have reliability, quality or compatibility problems, we will be required to accept returns, provide replacements, provide refunds, or pay damages. We cannot assure you that as we continue distribution of our products, we will be able to obtain or maintain adequate insurance coverage on acceptable terms, or that such insurance will provide adequate coverage against all potential claims. In the event that our exposure to liabilities exceeds the coverage of our insurance, we may still be required to incur substantial amounts, which would materially and adversely affect our business, financial condition and results of operations.

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

In the course of operations and production, we implement and require our employees to comply with safety measures and procedures as stipulated in our internal policies. Nevertheless, there is no assurance that our safety measures and procedures are strictly followed by our employees. As our manufacturing process is complicated and inevitably involves operation of tools, equipment and machinery and use of chemical materials, accidents resulting in employee injuries or even deaths may occur. Such accidents may result in disruption of our operation and subject us to liabilities, and we may not have adequate or sufficient insurance to cover such liabilities, which could then adversely affect our business, results of operation and financial condition.

We may fail to effectively manage our distributors. Actions taken by our distributors in violation of the framework agreements or sales guidelines could materially and adversely affect our business, prospects and reputation.

We have limited control over the operations and actions of our distributors, all of whom, to the best of our Directors’ knowledge, are Independent Third Parties during the Track Record Period. We rely on distribution agreements and sales guidelines. We have methods in place to manage our distributors, including their compliance with laws, rules, regulations and our policies. For details, see “Business — Sales, Marketing and Customers — Sales and Distribution” in this document. We cannot guarantee that we will be able to effectively manage our distributors, or that our distributors would not breach our agreements and policies. If our distributors take one or more of the following actions, our business, results of operations, prospects and reputation may be adversely affected:

- breaching the distribution agreements or our policies and measures;

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- failing to maintain the requisite licenses, permits or approvals, or failure to comply with applicable regulatory requirements when selling our products; or
- violating anti-corruption, anti-bribery, competition or other laws and regulations of China or other jurisdictions.

Any violation or alleged violation by our distributors of the distribution agreements, sales guideline or any applicable laws and regulations could result in the erosion of our goodwill, a decrease in the market value of our brand and an unfavorable public perception about the quality of our products, resulting in a material adverse effect on our business, financial condition, results of operations and prospects.

We may not continue to be successful in developing and maintaining a cost-effective battery manufacturing capability.

The production capacity of our lithium-ion battery and lead-acid battery was approximately 2.13 GWh and 6.62 GWh, respectively, for the year ended December 31, 2024. To enhance our competitiveness, we intend to expand our annual production capacity to meet expected growth in demand for our batteries.

We continually engage in the development of manufacturing process capabilities and expansion of our production capacity. In doing so, we may face significant product development challenges, significant expense and inherent risks. Manufacturing batteries involves a series of complex processes, and we may not be able to manufacture our products with sufficient quality and quantity to meet our manufacturing standards. Minor deviations in the manufacturing process can cause substantial decreases in yield and in some cases result in no yield or cause production to be suspended. We will need to make capital expenditures to purchase manufacturing equipment for battery production and will also need to make significant investments in R&D to keep pace with technological advances in energy storage technology.

We cannot guarantee that we will realize the expected benefits of our capacity expansion, or that we will achieve an adequate return on our capital and R&D investments. Any failure to successfully develop and maintain cost-effective manufacturing capability may have a material and adverse effect on our business and prospects.

RISK FACTORS

Technological changes in the energy storage industry may bring about new and effective energy storage products, rendering our inventories, products in production or under R&D uncompetitive or obsolete, which cannot be accurately predicted nor fully mitigated despite our best efforts in R&D.

The energy storage industry is characterized by evolving technologies and standards. These technological evolutions and developments lead to improvement and upgrade of our products from time to time. Our competitors may manufacture energy storage products with better performance indicators through their R&D endeavors. In order to maintain our market position, keep pace with technological advances in the energy storage industry, and effectively compete in the future, we need to invest significant resources in R&D. For the years ended December 31, 2022, 2023 and 2024, our research and development expenses amounted to RMB100.7 million, RMB112.8 million and RMB110.5 million, respectively. In addition, we have been actively engaging in the R&D of the next generation of products and materials, which we consider crucial for us to maintain our leading industry position and achieve sustainable development. For details, see “Business — Research & Development — Our Key R&D Projects” in this document. We may not be able to adjust our research and development direction in a timely manner in the face of the rapid technological changes in the industry. There is no assurance that we will successfully roll out and commercialize the next generation of our energy storage products and generate a return from such research and development. If we fail to do so, our prospects, business, and results of operations may be adversely affected.

Furthermore, according to Frost & Sullivan, the global energy storage industry is expected to include various categories of products, including lithium-ion batteries, lead-acid batteries, sodium-ion batteries, and others (such as flywheel energy storage and compressed air energy storage). From 2023 to 2030, the global installed capacity of lithium-ion energy storage batteries is projected to grow from 123.9 GWh to 1,329.8 GWh, with a CAGR of 40.4%, significantly outpacing other technologies. During the same period, lead-acid energy storage batteries, benefiting from their mature technology and high safety, are expected to achieve steady growth, with new installed capacity increasing from 32.2 GWh to 72.3 GWh, with a CAGR of 12.2%. Sodium-ion batteries, known for their abundant resources, adaptability, and cost-effectiveness, are projected to see their global new installed capacity grow from initial commercialization to 132.6 GWh by 2030, with a CAGR of 211.5%. Other technologies, including flywheel energy storage and compressed air energy storage, are expected to grow from 1.5 GWh in 2023 to 142.3 GWh in 2030, with a CAGR of 91.8%. Technological advancements in alternative energy storage methods such as sodium-ion batteries, flywheel energy storage and compressed air energy storage will offer customers a broader range of product choices. However, we cannot guarantee that our efforts to keep pace with technological changes can succeed or our products will continue to be favored by our customers in the long term. If customers shift their preference to other energy storage products, or if our products fail to prevail over other existing and emerging energy storage products in the market competition, our business, prospects, and financial position could be adversely affected.

RISK FACTORS

Our business is capital intensive. The sources of our future financing can be uncertain, and our working capital can be unstable during certain quarters.

We operate in a capital-intensive industry that requires substantial capital and other long-term expenditures, including expenditures for the purchase of equipment and construction of production facilities. To the extent that we expand or add new production facilities, we expect to fund the related financial commitments and other capital and operating expenses in cash from our operations, banking facilities, and the net [REDACTED] from the [REDACTED]. However, we cannot assure you that we will be able to generate sufficient cash from our operations or obtain the necessary financing or that such financing will be at interest rates and on other terms that are commercially reasonable and affordable to us or consistent with our expectations. Our ability to obtain additional capital is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows, general market conditions for capital-raising activities, and economic, political and other conditions in China, the U.S. and other jurisdictions where we operate. To the extent we cannot obtain financing for our expansion or acquisitions at reasonable costs or at all in the future, our business may be adversely affected.

In addition, our expansions require us to make pre-construction preparation and trial production input, as a result, during certain quarters we may incur higher working capital needs that may affect our working capital sufficiency. We cannot assure you that we will not experience any unforeseen circumstances that may adversely affect our working capital in the future. If that happens, our business, financial position, results of operations, prospects may be affected.

Our reputation is key to our business success. Negative news or publicity may adversely affect our reputation, business and growth prospects.

Any negative news or publicity in relation to us, or any of our Directors, management, Controlling Shareholders and business partners or counter-parties, or any of their respective affiliates (including, where applicable, any business partner or counter-party thereof), among others, whether or not they act on our behalf or otherwise utilize or share our brand name, and even if proven untrue, could adversely affect our reputation, business and growth prospects.

We cannot assure you that such negative news or publicity would not damage our reputation or brand image. Given our specialized industry and market, negative news, publicity and word of mouth could spread quickly and negatively impact our reputation, brand image or relationship with third parties, which could have a material adverse effect on our business, financial condition and results of operations. Even if we are not a party to, not involved in, and not liable to these litigations, disputes and allegations, we cannot assure you that any of such negative news or publicity will not affect our reputation, brand image or relationship with third parties, which could in turn have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

Work stoppage, increases in labor cost and other labor related matters may have an adverse effect on our businesses.

A good working relationship with our employees across our business lines is crucial to our operations and success. We have not experienced any material work stoppages, strikes or other major labor problems during the Track Record Period. However, there is no assurance that any of such events will not arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption of our operations and/or higher on-going labor costs, which may have an adverse effect on our businesses, financial condition and results of operations. As of December 31, 2024, we had 2,176 full-time employees. Some of our employees are currently represented by labor unions. In addition, employees of some of our suppliers or customers may become unionized in the future or experience labor instability and we may not be able to predict the outcome of any future labor negotiations. Any conflicts between us and our employees’ labor union or between our suppliers and customers and their respective unions could have an adverse effect on our financial condition and results of operations.

For the years ended December 31, 2022, 2023 and 2024, our direct labor costs amounted to RMB114.1 million, RMB116.9 million, and RMB131.8 million, representing 3.4%, 3.4%, and 3.5% of our total cost of sales, respectively. In addition, labor costs in regions where we operate have generally been increasing in recent years and could potentially continue to increase. If labor costs in these regions continue to increase, our production costs will increase. We may not be able to pass on these increased costs to customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease, which could have an adverse effect on our financial condition and results of operations.

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

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

RISK FACTORS

Our operations and production depend on a stable, timely and adequate supply of utilities at commercially reasonable prices.

We depend on the supply of utilities, such as power and water to maintain our production processes and our operations. Our production volume and production costs are dependent on our ability to source such utilities at acceptable prices and maintain a stable supply. The prices for utilities are subject to price volatility attributable to a number of factors which may be beyond our control, including inflation, disruption in the global supply chain, supplier capacity constraints, general economic conditions, commodity price fluctuations, demand from other industries for the same materials, the availability of complementary and substitute materials, and local and national regulatory requirements. There can be no assurance that shortages of utilities will not occur in the future or that we will be able to pass on related cost increases to our customers. Significant fluctuations in such costs may have a material effect on our profitability if we are unable to adjust the prices of our products accordingly, and may also harm our competitive advantages with respect to the affected products.

We manufacture our products in certain provinces in China and may deliver them to various customer designated locations, and we outsource the delivery of our products to logistics providers, which exposes us to various risks relating to long-distance transportation of our energy storage products.

Our production plants are located in Jiangsu and Hubei provinces, China. For details, see “Business — Manufacturing and Production” in this document. The geographical separation of our production plants in China and many of our customers necessitates constant long-distance transportation of our energy storage products from Jiangsu and Hubei provinces. There is no assurance that (i) these logistics providers would operate in accordance with our instructions, policies and business guidelines, or that their service quality will not materially deteriorate, (ii) we can maintain good relationships with those logistics providers, (iii) they will not unilaterally increase their service prices, or (iv) there will not be any wrongdoing or misconduct by their employees or by them which would materially and adversely affect their services. There is no assurance that we can find reliable service providers who can meet our standards at scale. The constant long-distance transportation of our energy storage products may also expose us to various risks, including (i) increases in transportation costs, (ii) loss of energy storage products as a result of any accidents that may occur in the transportation process, and (iii) delays in the transportation of our energy storage products as a result of any severe weather conditions, natural disasters or other conditions adversely affecting road traffic. Any of these risks could have a material adverse effect on our business and results of operations.

RISK FACTORS

We rely on third parties for various services and components in connection with our business and any disruption in their supply or significant increase in their prices will negatively affect our business.

During the Track Record Period, we relied on third-party service providers for services in connection with our business, such as logistics and customs clearance. We obtain services from third-party service providers who we believe are able to meet our specifications and requirements. However, any natural or man-made disasters or other unanticipated catastrophic events, including but not limited to adverse weather, fires, technical or mechanical difficulties, storms, explosions, earthquakes, strikes, acts of terrorism and wars could impair the operations of our suppliers and/or disrupt our transportation channels and customs clearance procedure, and impede our ability to manufacture and deliver our products to customers in a timely manner. If the third-party service providers do not perform satisfactorily, substantially reduce the amount and scope of services provided to us, substantially increase the prices of their services or terminate their business relationship with us, we may need to replace the third-party service providers or take other remedial actions which could increase our costs of operations. As we do not have direct control over the third-party service providers, if they become involved in the unauthorized provision of services not complying with our requirements or that of our customers, our reputation in the industry will be affected. Our reputation in the industry will also be adversely affected if the third-party service providers have any wrongdoing or misconduct or do not comply with applicable laws and regulations. In addition, we incorporate components manufactured by third parties into our products. If there are quality issues with respect to these third-party components included in our battery products, we may not discover the issue until after our products have been shipped and installed. Further, we may have little or no recourse against these third-party suppliers arising out of warranty claims made by our customers. If the components manufactured by third parties could not satisfy our specification and quality standards, or if there is any delay in delivering such components to us on time which may in turn delay our shipments of products, our business, reputation and results of operations may be materially and adversely affected. This, in turn, may materially and adversely affect our business, financial condition and results of operations. Many components are at times subject to industry-wide shortages and significant commodity pricing fluctuations. There can be no assurance that we will be able to extend or renew the agreements that we have entered into for the supply of many raw materials, components and products on similar terms, or at all. A number of suppliers of components may suffer from poor financial conditions, which can lead to business failure for the supplier or consolidation within a particular industry, further limiting our ability to obtain sufficient quantities of components on commercially reasonable terms.

RISK FACTORS

Our efforts in maintaining, developing and expanding our business requires marketing and selling our products internationally, which poses inherent risks.

While we generated a substantial majority of our total revenues during the Track Record Period from sales to customers located in the PRC, we also made sales to overseas customers in countries such as Europe and North America countries/regions. For details, see “Financial Information — Description of Major Components of Our Results of Operations — Revenues By Region” in this document. While we expect the PRC will continue to be our primary market, we may expand the sales of our products overseas, which will expose us to a number of risks, including, but not limited to:

- fluctuations in foreign currency exchange rates;
- increased costs associated with maintaining the ability to understand the local markets and develop and maintain effective marketing and distributing presence in various countries;
- providing customer service and support in these markets;
- difficulty with staffing and managing overseas operations;
- failure to develop and implement appropriate risk management and internal control structures tailored to overseas operations;
- difficulty and cost relating to compliance with different commercial and legal requirements of the overseas markets in which we offer or plan to offer our products;
- failure to obtain or maintain permits for our products or services in these markets;
- different safety concerns and measures needed to address accident related risks in different countries and regions;
- inability to obtain, maintain or enforce intellectual property rights;
- unanticipated changes in prevailing economic conditions and regulatory requirements;
- uncertainties and time requirement in long distance international transportation; and
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses.

RISK FACTORS

Moreover, we intend to establish overseas production facilities in the future. The success of our overseas expansion plans depends on whether we could adequately, timely and effectively address the risks associated with overseas operations, such as failure to adopting different legal framework and government policies, restrictions or requirements relating to foreign investments, non-compliance with the requirements of applicable sanctions, antibribery and related laws and regulations, failure to protect our reputation from negative publicity against us, and limitations on ability of non-nationals to reside and work in such countries. We may not be able to develop and implement policies and strategies that will be effective in each location where we do business. A change in one or more of the factors described above may have a material adverse effect on our business, financial condition and results of operations.

We may experience delays and/or failures in obtaining and renewing relevant PRC or overseas governmental approvals, licenses, permits or others required for our new construction/expansion projects.

We are required to obtain various approvals, permits, licenses, and certificates throughout multiple stages of our new construction/expansion projects. Generally, such approvals, licenses, permits, or certificates are only issued or renewed after certain conditions have been satisfied. We cannot assure you that we will not encounter obstacles toward fulfilling such conditions that delay us in obtaining, or result in our failure to obtain, the required approvals. In the event that we encounter significant delays in obtaining or renewing, the necessary government approvals for any of our new construction/expansion projects, we will not be able to continue with our development plans, and our business, financial condition, and results of operations may be adversely affected. Furthermore, under the relevant PRC land and property laws and regulations, we were required to obtain the real estate ownership certificates for our owned land and property, and to file the lease agreements for our leased properties. Failure to comply with the relevant laws and regulations may subject us to certain fines and penalties. For details, see “Business — Properties” in this document.

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

During the Track Record Period, we had sold our Chinese-origin lithium-ion battery and lead-acid battery products directly to our customers in Afghanistan, Balkans, Belarus, Democratic Republic of the Congo, Egypt, Hong Kong, Iraq, Lebanon, Libya, Mali, Myanmar, Russia (excluding the Crimea, Kherson, Zaporizhzhia, and LPR/DPR regions), Somalia, Tunisia, Turkey, Ukraine (excluding the Crimea, Kherson, Zaporizhzhia, and LPR/DPR regions) and Zimbabwe (the “**Relevant Regions**”). The revenues generated from such sales to the Relevant Regions was approximately RMB59.2 million, RMB84.0 million and RMB90.0 million, representing approximately 1.5%, 2.0%, and 2.0% of our total revenues in 2022, 2023 and 2024, respectively. The United States and other jurisdictions or organizations, including the European Union, the United Kingdom, the United Nations and Australia, have, through executive order, legislation or

RISK FACTORS

other governmental means, implemented measures that impose economic sanctions against the Relevant Regions or against targeted industry sectors, groups of companies or persons, and/or organizations within the Relevant Regions. However, none of the Relevant Regions were a Comprehensively Sanctioned Country and none of our customers located in the Relevant Regions were identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or the relevant restricted parties lists maintained by the European Union, Australia and the United Nations. While certain customers were listed on the Entity List maintained by the BIS, all products sold to our customers were Chinese-origin lithium-ion battery and lead-acid battery products that does not subject to the EAR.

We have engaged Hogan Lovells, our International Sanctions Legal Advisor to perform procedures to assess our compliance with International Sanctions laws and regulations and evaluate our risk of exposure and potential penalties imposed under the International Sanctions laws and regulations. As advised by our International Sanctions Legal Advisor who has performed the procedures they consider necessary, our sales involving the Relevant Regions denominated in these transactions with customers in the Relevant Regions were not Primary Sanctioned Activities for the purpose of the guidance in Chapter 4.4 of the Guide for New Listing Applicants issued by the Stock Exchange, and the risk that we would face exposure to secondary U.S. sanctions is remote. As such, it is unlikely that our activities would result in the imposition of sanctions on the Relevant Persons. Further, given the scope of the [REDACTED] and the expected use of [REDACTED] as set out in this document, our International Sanctions Legal Advisor is of the view that the involvement by parties in the [REDACTED] will not implicate any applicable International Sanctions on such parties, including our Company, our potential investors, Shareholders, the Stock Exchange and its [REDACTED] and group companies, and accordingly the sanctions risk exposure to our Company, potential investors and Shareholders, and persons who might, directly or indirectly, be involved in permitting the [REDACTED], [REDACTED] and clearing of our Shares (including the Stock Exchange, its [REDACTED] and related group companies) is remote. For more details on our business operations with customers in the Relevant Regions subject to International Sanctions, please refer to the sections headed “Business — Business Activities with customers in Relevant Regions” in this document.

However, sanctions laws and regulations are constantly evolving, and new persons and entities are regularly added to the list of Sanctioned Persons, export controls and sanctions applicable to our customers may be expanded. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions. There can be no assurance that our future business will be free of any sanctions risks or our business will conform to the expectations and requirements of the authorities of the Relevant Jurisdictions. Our business and reputation could be adversely affected if the authorities of the Relevant Jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanction designation of our Group.

RISK FACTORS

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

We may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations in various jurisdictions in which we conduct activities. We have adopted policies and procedures designed to ensure compliance by us and our directors, officers, employees, representatives, consultants, agents, customers and business partners with applicable anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations. However, our policies and procedures may not be sufficient, and our directors, officers, employees, representatives, consultants, agents, customers and business partners could engage in improper conduct for which we may be held responsible, which could materially and adversely affect our business, reputation, financial condition, and results of operations.

Non-compliance with anti-corruption, anti-bribery, anti-money laundering, or financial and economic sanctions laws could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures, and legal expenses, all of which could materially and adversely affect our business, reputation, financial condition, and results of operations.

The success of our business depends on our ability to attract, train and retain highly skilled employees and key personnel.

We have been, and will continue to be, heavily dependent on the continued services of our senior management team. If we lose the services of any member of our senior management team, we may not be able to find suitable replacements in a timely manner, at acceptable cost or at all, and our business, results of operations, financial condition and prospects could be materially and adversely affected. Our success also depends on our ability to attract and retain experienced and highly trained personnel. However, competition to hire highly qualified personnel is intense and we cannot guarantee that we will be able to meet our staffing needs in the future. Any failure by us to hire or replace a sufficient number of skilled employees on a timely and effective basis could have negative repercussions on our business, financial condition, results of operations and prospects.

RISK FACTORS

We may not be able to obtain sufficient raw materials or certain key components in a timely manner or on commercially reasonable terms.

We currently purchase certain key raw materials and components needed for our products from third parties. Our current suppliers may be unable to satisfy our future requirements of quality and quantity of raw materials on a timely basis. For details, see “Business — Suppliers” in this document. Moreover, the prices of raw materials and components could fluctuate significantly due to circumstances beyond our control. For details, see “— Risks Relating to Our Business and Industry — We are exposed to price fluctuations of raw materials, and we may not be able to adjust our prices to fully offset the increased costs of raw materials, which will adversely affect our profit margins, result of operations and financial condition” in this section.

If our current suppliers are unable to satisfy our long-term requirements on a timely basis, we may be required to seek alternative sources for necessary materials and components, produce the raw materials or components in-house or redesign our proposed products to manufacture available substitutes at reasonable cost. If we fail to do so, it will result in a significant delay in our manufacturing and delivery of our products, which may result in liabilities of damages and damage to our reputation, and will adversely and materially affect our business, results of operations and financial condition.

We may be involved in legal or other proceedings arising out of our operations from time to time and may face reputational risks, penalty risks and significant liabilities as a result.

We may be involved in disputes from time to time with various parties involved in our business operations, including but not limited to our customers, suppliers, distributors, employees, logistics service providers and banks. These disputes may lead to protests, legal or other proceedings and may damage our reputation and divert our resources and management’s attention. Significant costs may have to be incurred in settling such disputes or defending ourselves in such proceedings. If we are not successful in defending ourselves in such proceedings, we may be liable for damages, the amount of which may be significant. In addition, we may have compliance issues in the course of our operations, which may subject us to administrative proceedings or unfavorable decrees that may result in liabilities and cause other material adverse effects on our business, results of operations and financial position.

Our insurance coverage may not cover all losses, and we may incur significant losses resulting from operating hazards, product liability claims, project construction or business interruptions.

Our operations involve the use, handling, generation, processing, storage, transportation and disposal of hazardous materials, which may result in fires, explosions, spills and other unexpected or dangerous accidents causing personal injuries or death, property damages, environmental damages and business interruption. Our insurance on properties, equipment, environmental liability and product liability are limited in scope and may not cover all claims relating to personal injury, property or environmental damage arising from incidents on our properties or

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relating to our operations. For risk exposure not covered by our insurance policies, we share the potential liability with counterparties in accordance with our agreements with such counterparties and applicable laws and regulations. For details, see “Business — Insurance” in this document. Any occurrence of these or other incidents which are not insured under our existing insurance policies could have a material adverse effect on our business, financial condition or results of operations.

We are also exposed to risks associated with product liability claims in the event that the use of our energy storage products results in injury. We may not have adequate resources to satisfy a judgment if a successful claim is brought against us. In the event that potential claims exceed the scope or amount of coverage under this insurance, our business could be materially and adversely affected.

In addition, the normal operation of our production plants may be interrupted by accidents caused by operating hazards, power supply disruptions, equipment failure, as well as natural disasters. Any significant damage or interruption to these production plants could still have a material and adverse effect on our results of operations.

Particularly because we depend on a limited number of suppliers, we are vulnerable to supply chain issues, including shortages of adequate raw materials, component and equipment supply, cancellation or delay of purchase orders, inflationary pressures and cost escalation.

We depend on third-party suppliers for raw materials that are essential for our production. We procure these materials and equipment from a limited number of suppliers. For the years ended December 31, 2022, 2023 and 2024, purchases from our five largest suppliers amounted to RMB1,273.1 million, RMB1,243.7 million, and RMB1,541.4 million, respectively, accounting for 42.3%, 43.8%, and 47.9% of our total purchases for the same years, respectively. During the same years, our purchase from the largest supplier amounted to RMB527.9 million, RMB468.7 million, and RMB663.4 million, respectively, accounting for 17.5%, 16.5%, and 20.6% of our total purchase for the same years, respectively. The failure of any of such suppliers, for whatever reason, to supply the materials and equipment that meet quality, quantity and cost requirements in a timely manner could impair our ability to manufacture products, increase costs, hinder compliance with sales agreements’ terms and may result, ultimately, in cancellation of purchase orders and potential liability for us. We may not be able to turn to alternative sources on a timely basis or on commercially reasonable terms to deliver products to customers in the required quantities and at prices that are profitable, which may escalate the severity. There can be no assurance that our inventories will address all the supply chain failures that may arise. Further, our manufacturing and suppliers’ manufacturing and supply chain may be subject to potential disruptions due to plant closure as a consequence of energy shortage or other causes. Supply may also be interrupted by accidents, disasters, geopolitical instability or other unforeseen events beyond our control.

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The search for alternative sources of supply to mitigate or solve the above problems may increase our manufacturing costs. Likewise, increased integration of manufacturing processes to lower costs could potentially damage our business, results of operations and relationship with customers. In any case, we may not be able to counteract this impact through price increases for our products to transfer the increase to our customers at all, or through alternative sources of supply, in spite of the possible execution of remedial courses of action or fallback plans. Problems of this kind could consequentially reduce our market share, damage our brand and lead to legal disputes with customers. All of the aforementioned factors could adversely impact our business, results of operations and relationship with customers.

We may incur significant costs, from paying damages, or providing replacements or refund, because of the warranties we provide for our products, and our provisions to cover future potential claims under our product warranties may be insufficient.

For our battery products, we usually provide our customers with a warranty three to eight years. For details, see “Business — Sales, Marketing and Customers — Sales Agreement” in this document. We provide a provision for these potential warranty expenses, which takes into account the Group’s recent claims, past warranty data and the weight of all possible results and their related probabilities. For the years ended December 31, 2022, 2023 and 2024, our provisions for product warranty were RMB30.7 million, RMB36.5 million and RMB38.4 million, respectively, the upward trend from 2022 to 2024 of which was in line with the increase of our battery sales volume during the Track Record Period. For details, see Note 31 to the Accountants’ Report in Appendix I to this document. As we continue to upgrade our products design and introduce new models, there is no assurance that future warranty claims will be consistent with past history, and in the event that we experience a significant increase in warranty claims, there is no assurance that our provision will be sufficient. This could have a material adverse effect on our business, financial condition and results of operations.

If we fail to implement our expansion plan as scheduled, or if such plan fails to achieve expected benefits, our business and prospects could be materially and adversely affected.

We plan to invest in the construction of a lithium-ion batteries production facility in Southeast Asia for energy storage battery for data centers, so as to further develop our data center business. For details, see “Future Plans and Use of [REDACTED] — Use of [REDACTED]” in this document.

Constructing production facilities overseas requires relevant knowledge and familiarity of local conditions and practices. Given that we lack experiences of overseas expansion, our expansion plan may not be implemented as scheduled. Any failure or delay in implementing our expansion plan may result in a delay of seizing the opportunities in the data center sector and cultivate our second growth pillar. Moreover, our plans to increase our production capacity require significant capital investment, and the actual costs of our expansion plan may exceed our original estimates, which could materially and adversely affect the realization of expected return on our expenditures. In addition, if we fail to fully utilize the additional production capacity due to any adverse change to the market environment, technologies, and relevant policies, our business, results of operations and financial condition could be materially and adversely affected.

RISK FACTORS

We may not be able to timely fulfill our obligations in respect of contract liabilities to our customers or at all.

Contract liabilities are mainly advance payments from customers. As of December 31, 2022, 2023 and 2024, we had contract liabilities of RMB36.8 million, RMB63.0 million, RMB39.6 million, respectively. Our recognition of contract liabilities as revenues is subject to future performance obligations and may not be representative of revenues for future periods. The continued operation of our production sites and our production safety may be substantially interrupted and materially and adversely affected due to a number of factors, many of which are outside of our control. For details, see “— Risks Relating to Our Business and Industry — We may be subject to liabilities and disruption in operations in connection with accidents that occur during the manufacturing process at our production facilities due to, among others, failure to comply with safety measures and procedures” in this section. As a result of disruption to any of our production sites or any problems in manufacturing our products, we may fail to fulfill contract obligations or meet market demand for our products, and our results of operations, liquidity and financial position could be adversely affected.

We are subject to various risks relating to third-party payments.

During the Track Record Period, certain of our customers settled their payments with us through third-party payors (the “**Third-Party Payment Arrangement(s)**”). During the Track Record Period, the aggregate amount of third-party payments accounted for less than 1% of the total payments we received from all customers for the same years, respectively. For details, see “Business — Third Party Payment” in this document.

We are subject to various risks relating to such Third-Party Payment Arrangements during the Track Record Period, including possible claims from third-party payors for return of funds as they were not contractually indebted to us, and possible claims from liquidators of third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party payments, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings, and our financial condition and results of operations may, as a result, be adversely affected.

We may need to provide impairment losses for intangible assets, which could negatively affect the results of our operations and financial condition.

We had intangible assets of RMB7.4 million, RMB7.1 million, and RMB8.3 million as of December 31, 2022, 2023 and 2024, respectively. Our intangible assets mainly consist of software. For details, see “Financial Information — Discussion of Certain Selected Items From The Consolidated Statements of Financial Position — Other Intangible Assets” in this document.

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However, the intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying value of our intangible assets is considered to exceed its recoverable amount and is therefore determined to be impaired in the future, we would be required to write down the carrying value or record a provision of impairment loss for these intangible assets in our financial statements during the period in which our intangible assets are determined to be impaired, and this impairment would adversely affect our results of operations and our financial condition. While we did not recognize substantial impairment loss for intangible assets during the Track Record Period, we cannot assure you that there will be no such charges in the future and such impairment loss could adversely affect our results of operations and financial conditions.

We may recognize impairment loss on our prepayments, other receivables and other assets.

We recorded prepayments, other receivables and other assets of approximately RMB85.4 million, RMB71.1 million, and RMB87.6 million as of December 31, 2022, 2023 and 2024, respectively. During the Track Record Period, our prepayments, other receivables and other assets primarily related to prepaid value-added tax, prepayments for the purchase of raw material such as lead ingots, lead alloys and lithium iron phosphate, which are necessary for our daily operations, as well as deposits, and other receivables. For details, see “Financial Information — Discussion of Certain Selected Items from the Consolidated Statements of Financial Position — Prepayments, Other Receivables and Other Assets” in this document and Note 17 to the Accountants’ Report in Appendix I to this document. We cannot assure you that there would not be any significant impairment charges on our prepayments, deposits or other receivables in the future. If we record significant impairment losses on such balances in the future, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to enter into price adjustment mechanism for all of our agreement.

Some of our contracts may have a price adjustment mechanism, which allows adjustment of price in certain circumstances. For details, see “Business — Sales, Marketing and Customers — Sales and Distribution” in this document. However, we cannot guarantee that the price adjustment clause could adequately cover the amount of increased costs. In the event that our actual costs significantly exceed our estimated costs and the price adjustment mechanism is not adequate to cover the increased costs, our financial conditions and results of operations could be materially and adversely affected. In addition, we may not be able to enter into a price adjustment mechanism for all of our agreements. If the costs of raw materials, labor, or other inputs rise, we may be unable to pass these increases on to customers, leading to reduced profitability. Further, competitors who can adjust their prices may gain a market advantage, either by undercutting prices or maintaining profitability when costs rise.

RISK FACTORS

Our plants and fixed assets may require substantial investment and upgrading due to depreciation or business growth.

Our plants and operations may require substantial investment and upgrading from time to time due to depreciation or business growth, which may increase our costs. If we cannot successfully recover such costs, our profitability may decrease. Additionally, the timely completion of planned upgrades is subject to a number of factors, including our ability to raise and maintain sufficient funds for such upgrades, our ability to obtain the required licenses and permits from government authorities, and the adequate supply and timely delivery of products. If upgrading is not completed in a timely manner, our operations may be temporarily restrained, which may further materially and adversely affect our business, financial condition, results of operations, and prospects.

The uncertainty in global economic conditions, political instability, and changes in diplomatic and trade relationships could negatively affect our operating results.

Our operating results are directly affected by the general global economic conditions of the industries in which our major customers operate. Some of our business segments are highly dependent on the economic and market conditions in each of the geographic areas in which we operate. The uncertainty in global economic conditions varies by geographic segment and can result in substantial volatility in global credit markets. For example, the current tensions in international trade and rising political tensions, particularly those between the United States and China, may materially and adversely impact our business, financial condition and results of operations. Credit volatility could impact our working capital for manufacturing, or result in cost changes or interruptions to suppliers whose components we rely upon if we are unable to access the needed credit for our operations. These conditions affect our business by reducing prices that our customers may be able or willing to pay for our products or by reducing the demand for our products, which could in turn negatively impact our sales and result in a material adverse effect on our business, cash flow, results of operations and financial condition.

In addition, our business operations and financial performance could be adversely affected by the political climate and diplomatic relationships in the regions where we operate. Political instability, such as government upheaval, civil unrest, or changes in leadership, can create an unpredictable environment that may disrupt our supply chain, operations, and customer base. Additionally, shifts in diplomatic relationships between countries can lead to changes in trade policies, tariffs, and sanctions, which could adversely affect our ability to import or export goods and services.

RISK FACTORS

We may form or seek additional collaborations in the future and may not realize any or all benefits of such alliances.

We may in the future seek and form, strategic alliances or other collaborations, with overseas partners that we believe will complement or augment our product development and R&D efforts with respect to our product candidates that we may develop, as well as the services we provide and may provide in the future. Any of these relationships may require us to incur non-recurring and other charges, increase our near and long-term expenditures, issue securities that dilute the shares held by our existing Shareholders or disrupt our management and business.

Our strategic collaboration with partners involves numerous risks, which could adversely affect our ability to recognize the benefits of the collaboration within an acceptable timeframe or at all. A collaboration partner may choose to delay or terminate a partnership for a variety of reasons, which include, but are not limited to, a lack of financial resources to continue to fund the collaboration, material disagreement between us and the partner, personnel changes in research leadership and other management resulting in a loss of internal advocacy, or other strategic realignment within the organization. Disputes may arise between us and our current or future collaboration partners. Such disputes may cause delay or termination of the research, development or commercialization of our product candidates, or may result in costly litigation or arbitration that diverts management attention and resources. We face significant competition in seeking appropriate strategic partners and the negotiation process is time consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for our product candidates because they may be deemed to be at too early of a stage of development for collaborative effort. Further, any agreement that we do enter into may not result in the anticipated benefits.

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

We rely on information technology systems and network infrastructure that we manage or that are managed by third parties with which we do business to collect, use, transmit, store, dispose of, and otherwise process electronic information. For details, see “Business — Information Technology” in this document. Our or our critical third parties’ IT systems and other infrastructure and the information processed in such IT systems could be affected by cybersecurity incidents from a number of causes, including but not limited to, power outages, computer and telecommunication failures, computer viruses, malware, attempts to gain unauthorized access to data and systems, ransomware or other destructive software, manual or usage errors, catastrophic events, natural disasters, and severe weather conditions. Attacks, including those targeting IT systems, could severely disrupt business operations and result in significant expenses to repair or remediate system damage. We have taken steps to protect our IT systems and the information maintained in those systems, but we cannot guarantee attacks and security incidents will not happen in the future. Global threat actors and terrorists have targeted and will continue to target entities and projects like those of our clients in the telecommunications

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sector, including through disruptive attacks such as those involving ransomware. We cannot guarantee the security or protection of our IT systems, information, or projects, and we have little or no control over the IT systems and facilities of third parties on which our projects rely.

Our risk management and internal control systems, as well as the risk management tools available to us, may not fully protect us against various risks inherent in our business.

We have implemented risk management and internal control systems and adopted risk management tools available to us with respect to our business operations. However, there is no assurance that our risk management, internal control systems, and risk management tools are adequate or effective to fully protect us against the potential risks inherent in our business. In the event that we fail to identify and deal with any potential risks or internal control deficiencies, our business, results of operations, and prospects may be materially and adversely affected.

Further, the successful implementation of our risk management and internal control systems depends on our management, employees, and subcontractors. There is no assurance that our management, employees, and subcontractors will strictly observe and adhere to relevant measures and policies. There is also no assurance that our management, employees, and subcontractors will be able to carry out relevant measures and policies without human errors or mistakes. In addition, as our business expands, we may have to adopt and modify our risk management and internal control measures and policies in a timely manner in response to our business growth. Failure to do so may result in material and adverse effects on our business and results of operations.

Compliance with environmentally safe production and construction and renewable energy development regulations can be costly, and non-compliance with such regulations may result in adverse publicity and could have a material adverse effect on our business and results of operations.

Our business and/or operational activities, such as the production and sales of our products, storage and transportation of our products and raw materials, are governed by laws and regulations, administrative determinations, and similar constraints, especially the extensive environmental, handling of hazardous substances, chemical using laws and regulations.

Moreover, we are required to obtain construction permits before commencing constructing production plants, and obtain the approvals from PRC environmental protection authorities before commencing commercial operations of our production plants. We are also required to comply with renewable energy development regulations and directives. In addition, compliance with the environmentally safe production and construction and renewable energy development regulations can be economically costly and time consuming, which may divert the capacity of our Directors and management for operation of our business, in turn adversely affect our business operation and financial performance.

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Environmental, Social and Governance (“ESG”) matters, and unsuccessful management of such matters may impose additional costs and expose us to new risks.

Public ESG and sustainability reporting is becoming more broadly expected by investors, shareholders and other stakeholders and third parties. Certain organizations that provide corporate governance and other corporate risk information to investors and shareholders have developed, and others may in the future develop, scores and ratings to evaluate companies and investment funds based upon ESG or “sustainability” metrics. Many investment funds focus on positive ESG business practices and sustainability scores when making investments and may consider a company’s ESG or sustainability scores as a reputational or other factor in making an investment decision. In addition, investors, particularly institutional investors, use these scores to benchmark companies against their peers and if a company is perceived as lagging, these investors may engage with such company to improve ESG disclosure or performance and may also make voting decisions, or take other actions, to hold these companies and their boards of directors accountable.

We may face reputational damage in the event our corporate responsibility initiatives or objectives, including with respect to board diversity, do not meet the standards set by our investors, shareholders, lawmakers, listing exchanges or other constituencies, or if we are unable to achieve an acceptable ESG or sustainability rating from third party rating services. Ongoing focus on corporate responsibility matters by investors and other parties as described above may impose additional costs or expose us to new risks, including increased risk of investigation and litigation, and negative impacts on the value of our products and access to capital, which may put us at a commercial disadvantage relative to our peers.

In addition, implementing our ESG Policy may result in increased costs in our supply chain, fulfillment, and corporate business operations, and could deviate from our initial estimates and have a material adverse effect on our business and financial condition. In addition, standards and research regarding ESG strategies could change and become more onerous both for us and our third-party suppliers and vendors to meet successfully. As such, there can be no certainty that we will be able to meet our ESG or other strategic objectives in an efficient and timely manner or at all, or that we will successfully meet societal expectations in this regard.

Furthermore, new climate change laws and regulations could require us to change our manufacturing processes or procure substitute raw materials that may cost more or be more difficult to procure. Various jurisdictions in which we do business have implemented, or in the future could implement or amend, restrictions on emissions of carbon dioxide or other greenhouse gases, limitations or restrictions on water use, regulations on energy management and waste management, and other climate change-based rules and regulations, which may increase our expenses and adversely affect our operating results. We expect increased worldwide regulatory activity relating to climate change in the future. Future compliance with these laws and regulations may adversely affect our business and results of operations.

RISK FACTORS

Changes to or the implementation of government policies towards energy storage batteries could have an adverse impact on our industry and our business operation.

Improper handling during the manufacturing, storage and recycling of batteries can lead to environmental pollution. In response, PRC government has adopted relevant laws, regulations and policies. On December 26, 2016, Ministry of Environmental Protection issued the Technical Policy for Pollution Prevention and Control in Lead-Acid Battery Production (《鉛蓄電池再生及生產污染防治技術政策》) and Recycling and the Technical Policy for Pollution Prevention and Control of Waste Batteries (《廢電池污染防治技術政策》). These policies provide technical guidance for environment management, environmental impact assessments, and pollution prevention in the lead-acid battery industry, as well as for the environmental management and pollution control of waste batteries. In addition, on April 29, 2020, Standing Committee of the National People’s Congress (NPC) approved the revised Solid Waste Pollution Prevention and Control Law of the People’s Republic of China (《中華人民共和國固體廢物污染環境防治法》(2020修訂)), which established the extended product liability for lead-acid batteries. It requires producers of lead-acid batteries to establish or commission recycling systems that match their product sales volume to ensure proper disposal of used products.

We cannot guarantee that our business operations and financial performance will not be adversely affected if PRC authorities tighten industry regulations by imposing stricter emission standards on energy storage batteries industry. Additionally, should there be any stricter standards or tightened regulations with respect to energy storage batteries industry in other countries where our products are mainly sold, our operations could also be adversely affected. This could lead to increased compliance costs and potential market restrictions, further impacting our financial stability and operational efficiency.

We face risks related to health epidemics, natural disasters and other catastrophic events, which could have a material adverse effect on our business and results of operations.

Health epidemics may cause a long-term adverse impact on the economy and social conditions, which may have an indirect impact on our industry and cause temporary suspension of projects and shortage of labor and raw materials. Our delivery of products may also be disrupted, and our customers may cancel their orders due to potential delays in delivery. The longer supply cycle may also have an adverse impact on our operations and production.

Outbreaks of contagious diseases and other adverse public health developments around the world would have a material adverse effect on our business operations. These could include our ability to travel or ship our products as well as temporary closure of our production plants. Such closures or travel or shipment restrictions would severely disrupt our business operations and adversely affect our financial condition and results of operations.

RISK FACTORS

RISKS RELATING TO DOING BUSINESS IN THE PLACES WHERE WE OPERATE

Changes in economic, political and social conditions could have a material adverse effect on our business and operations.

We are headquartered in Jiangsu Province, China and most of our operations are conducted in China. Accordingly, our business, financial condition and results of operations may be influenced by the economic, political and social conditions in China. China’s energy storage market in general is affected by macro-economic factors, including changes in international, national, regional and local economic conditions, employment levels, consumer demand and discretionary spending. The PRC government has implemented various measures to encourage, and to guide, the economic growth and the allocation of resources, some of which may require additional time for us to adjust to or to take advantage of.

New legislations or changes in the PRC regulatory requirements regarding the end markets of our products may affect our business operations and prospects.

Our products are used in various application scenarios, including telecom base stations, data centers and electrical energy storage settings. New legislations or changes in the PRC regulatory requirements regarding these end markets may affect our business, financial condition, results of operations and prospects. For example, the PRC government has promulgated, amended and updated a number of legislations in relation to the energy storage market.

However, these policies are subject to certain limits as well as changes that are beyond our control, and we cannot assure you that future changes, if any, would be favorable to our business or financial condition. We may need to change or adapt our business focuses from time to time in response to the new rules and regulations regarding the end markets of our products, but we may also not be able to do so timely and efficiently. Any new legislations or changes in the PRC regulatory requirements could materially and adversely affect our business, financial condition and results of operations.

We are subject to numerous laws, regulations and policies at the national, regional and local levels of government in the markets where we do business.

We are subject to a variety of laws and regulations in the markets where we do business, some of which may conflict with each other and all of which are subject to change. These laws and regulations include energy regulations, export and import restrictions, tax laws and regulations, environmental regulations, labor laws, supply chain laws and regulations and other government requirements, approvals, permits and licenses. We also face trade barriers and trade remedies such as export requirements, tariffs, taxes and other restrictions and expenses, including antidumping and countervailing duty orders, which could increase the prices of our products and make us less competitive in some countries where we sell our products to and may have impact on our business and financial performance.

RISK FACTORS

In the countries where we do business, the market for our energy storage products is heavily influenced by national, state and local government regulations and policies concerning the energy storage industry. These regulations and policies could deter further investment in the research and development of renewable energy sources, which could result in a significant reduction in the potential demand for our products.

We expect that our products and their downstream application will continue to be subject to national, state and local regulations and policies relating to safety, construction, environmental protection, and other related matters. Any new regulations or policies pertaining to our energy storage products may result in significant additional expenses to us and customers, which could cause a significant reduction in demand for our products.

Failure to comply with evolving governmental regulations and other legal obligations concerning data protection and cybersecurity may materially and adversely affect our business, as we routinely collect, store and use data during the conduct of our business.

We are subject to various regulatory requirements relating to cybersecurity and data privacy, including the PRC Data Security Law (《中華人民共和國數據安全法》), the Cybersecurity Law of PRC (《中華人民共和國網絡安全法》), the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) and Regulations on Network Data Security Management (《網絡數據安全管理條例》) (together, the “**Data Security Regulations**”). Should our data processing activities be subject to these laws and regulations, we are required to ensure that our data processing activities are carried out in a lawful, legitimate, specific and clear manner. Pursuant to the Personal Information Protection Law of the PRC, a service provider shall obtain the consent of the person whose data is gathered when collecting and using personal information and shall comply with other circumstances as prescribed by laws and regulations.

As of the Latest Practicable Date, we have not been notified of being classified as a critical information infrastructure operator (“**CIIO**”), we have not received any inquiry, notice, warning from any PRC government authorities, and have not been subject to any investigation, sanctions or penalties made by any PRC government authorities regarding national security risks caused by our business operations or the [REDACTED]. In addition, China Certification Center for Information Security (“**CCRC**”) confirmed to us during a telephonic consultation in May 2024 that the term of “[REDACTED]”([REDACTED]) under the Cybersecurity Review Measures does not apply to [REDACTED] in Hong Kong, and thus we are not required to proactively submit an [REDACTED] for cybersecurity review for our [REDACTED] in Hong Kong. As the definitions for terms such as “affect or may affect national security” are broad, and there remains uncertainty how these rules will be enacted and interpreted, we cannot guarantee that the Cybersecurity Review Measures and Regulations on Network Data Security Management will not be interpreted in a way that will adversely affect us.

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Our PRC Data Compliance Counsel is of the view that we were not required to apply for cybersecurity review. In addition, the PRC Data Compliance Counsel is of the view that during the Track Record Period and up to the Latest Practicable Date, after the completion of rectification, we are in compliance with the currently effective and applicable PRC laws on cybersecurity and data security.

In addition, regulatory requirements on cybersecurity and data privacy are constantly evolving and can be subject to varying interpretations or significant changes, resulting in uncertainties about the scope of our responsibilities in that regard. We may also be subject to additional or new laws and regulations regarding the protection of personal information and important data or privacy related matters in connection with our methods for data collection, analysis, storage and use. If we are unable to comply with the applicable laws and regulations or effectively address data privacy and protection concerns, such actual or alleged failure could damage our reputation, discourage customers from purchasing our products and subject us to significant legal liabilities.

Payment of dividends or gains from the sale or other disposition of our H Shares is subject to taxation under PRC law.

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares (“**Non-PRC Resident Individual Holders**”) are subject to the PRC individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348)(《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》)(國稅函[2011] 348號) dated June 28, 2011 and issued by the SAT of the PRC, the tax rate applicable to dividends paid to Non-PRC Resident Individual Holders of H Shares varies from 5.0% to 20.0%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the Non-PRC Resident Individual Holder of H Shares resides, as well as the tax arrangement between the PRC and Hong Kong. Non-PRC Resident Individual Holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20.0% withholding tax on dividends received from us. In addition, under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations, Non-PRC Resident Individual Holders of H Shares are subject to individual income tax at a rate of 20.0% on gains realized upon the sale or other disposition of H Shares. Based on our knowledge, as of the Latest Practicable Date, the PRC tax authorities have not in practice sought to collect individual income tax on such gains. If such tax is collected in the future, the value of such individual holders’ investments in H Shares may be materially and adversely affected.

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Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》)(“EIT Law”) and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10.0% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company. This rate may be reduced under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H-shares of the Enterprises (Guo Shui Han [2008] No. 897)(《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函 [2008]897號)) promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10.0% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities’ approval. There are uncertainties as to the interpretation and implementation of the EIT Law and its implementation rules by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon the sale or other disposition of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC resident enterprise holders’ investments in H Shares may be materially and adversely affected.

Under the EIT Law, we may not be classified as a “high and new-technology enterprise” of the PRC. Such classification could result in unfavorable tax consequences.

During the Track Record Period, some of our subsidiaries were entitled to preferential income tax rates pursuant to the relevant tax regulations. For example, during the Track Record Period, certain entities within our Group enjoyed preferential EIT tax rate of 15% as they were High and New Technology Enterprise (HNTE). For details, see Note 10 to the Accountants’ Report in Appendix I to this document. Preferential tax treatments and other incentives granted to us by PRC governmental authorities are subject to review and renewal and may be adjusted or revoked in the future. We cannot guarantee that the preferential tax treatments and other incentives to which our PRC subsidiaries are currently entitled would be kept valid or successfully renewed. There can be no assurance that the local tax authorities will not, in the future, change their position and discontinue any of our current tax treatments. The discontinuation of any of our current tax treatments could materially increase our tax obligations and adversely impact our net income.

RISK FACTORS

Any decrease or discontinuation of tax rebate towards exported goods may have a negative effect on our profitability.

According to the Notice of the Ministry of Finance and the SAT on the Value-Added Tax and Consumption Tax Policy for Labor Services of Exported Goods (《財政部、國家稅務總局關於出口貨物勞務增值稅和消費稅政策的通知》) issued by Ministry of Finance and the SAT on 25 May 2012, revised on December 9, 2014 and January 20, 2020, unless otherwise provided by law, export goods and services are subject to the exemption and refund of VAT policies.

Subject to the relevant PRC laws, we are entitled to a rebate of VAT from the PRC tax authority in connection with our export sales for our products. The tax rebate comprised a refund of VAT incurred on the raw materials we used for production of our products in the PRC, which are subsequently exported to overseas countries. For the years ended December 31, 2022, 2023 and 2024, our tax rebate amounted to approximately RMB65.5 million, RMB106.5 million and RMB68.6 million, respectively. We cannot assure you that the PRC governmental policies on tax rebate will not change or that the current policies we enjoy will not be cancelled. If there is any reduction, suspension, discontinuation or cancellation of tax rebate which may adversely affect the recoverability of our value-added tax recoverable, our business, financial condition and profitability would be adversely affected.

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

We are a company incorporated under the laws of the PRC and a majority of our assets and subsidiaries are located in the PRC. The majority of our Directors, Supervisors and senior management reside within the PRC. The assets of these Directors, Supervisors and senior management also may be located within the PRC. As a result, it may not be possible to affect service of process upon most of our Directors, Supervisors and senior management outside the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or most other western countries. However, judgments rendered by Hong Kong courts may be recognized and enforced in the PRC if the requirements set forth by the Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) are met. Therefore, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

Although we will be subject to the Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong upon the [REDACTED] of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong do not have the force of law in Hong Kong.

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Restrictions on foreign currency conversion may adversely affect our business and results of operations and our ability to remit dividends.

The conversion of RMB is subject to applicable laws and regulations in the PRC. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business.

Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange reserve may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements, or to capitalize our capital expenditure plans, and even our business, operating results and financial condition, may be affected.

Certain of our practices with respect to social insurance and housing provident fund contribution may subject us to penalties.

We are required by PRC labor laws and regulations to pay various statutory employee benefits, including pensions insurance, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing fund, to designated government agencies for the benefit of our employees. Companies registered and operating in China are required under the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Provisional Regulations for the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) and the Regulations on Management of Housing Fund (《住房公積金管理條例》) to apply for social insurance registration and housing fund deposit registration within 30 days of their establishment and to pay for their employees different social insurance including pension insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance and housing provident fund to the extent required by law.

RISK FACTORS

During the Track Record Period and up to the Latest Practicable Date, we used third-party human resources agencies to make social insurance and housing provident fund contributions on behalf of us for some of our employees. We cannot assure you that the relevant government authorities will deem such practice to be fully compliant with the relevant labor laws. In addition, during the Track Record Period and up to the Latest Practicable Date, we did not make full social insurance and housing provident fund contribution for certain employees in strict compliance with relevant laws and regulations. For details, see “Business — Employees — Social Insurance and Housing Provident Fund Contributions” in this document. As a result, we may be required by competent authorities to pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court. In 2022, 2023 and 2024, our shortfall of contribution to social insurance and housing provident funds amounted to RMB16.9 million, RMB27.7 million and RMB30.2 million and we have made full provision for the shortfall of contribution to social insurance and housing provident funds.

As advised by our PRC Legal Advisor, in the event that (i) the relevant PRC authorities may demand us to pay the outstanding social insurance funds, or (ii) the relevant government authorities find our historical arrangement of engaging the third-party human resources service providers to pay social security funds and housing provident funds for some employees to be non-compliant with applicable laws and regulations, the relevant PRC authorities may demand us to pay the outstanding social insurance funds within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable for a fine of one to three times the amount of the outstanding contributions. In respect of the outstanding housing provident fund contributions, we may be demanded by the relevant PRC authorities to pay the underpaid amount to the housing provident fund within a prescribed time limit, failing which we may be subject to the compulsory enforcement by the People’s Court.

As of the Latest Practicable Date, we had not been subject to any administrative penalties for the aforementioned matters, nor were we aware of any material employee complaint or dispute with respect to social insurance or housing provident fund contribution. However, we cannot assure you that we will not receive any complaint, penalty or enforcement action for our historical practices with respect to social insurance and housing provident fund contributions and we cannot assure you that the competent government authorities will not require us to settle the outstanding amount within the specified time limit or impose late payment penalties on us. If we are otherwise subject to investigations related to non-compliance with labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our financial condition and results of operations could be adversely affected. For details, see “Business — Employees — Social Insurance and Housing Provident Fund Contributions” in this document.

RISK FACTORS

We may be subject to fines or other penalties under the PRC Labor Contract Law, which may adversely affect our business, profitability and reputation.

During the Track Record Period, we engaged third-party employment agencies to dispatch contract workers. On December 28, 2012, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) was amended to impose more stringent requirements on labor dispatch and such amendments became effective on July 1, 2013. For example, the number of dispatched contract workers that an employer hires may not exceed a certain percentage of its total number of employees, to be decided by the Ministry of Human Resources and Social Security, and the dispatched contract workers may only engage in temporary, auxiliary or substitutable work. According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014 (the “**Interim Provisions**”), the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers). The Interim Provisions further require the employer that is not in compliance with the above provisions to formulate a plan to reduce the number of its dispatched contract workers to below 10% of the total number of its employees. In addition, an employer is not permitted to hire any new dispatched contract worker until the number of its dispatched contract workers has been reduced to below 10% of the total number of its employees. The employers who fail to comply with the relevant requirements on labor dispatch shall be ordered by the labor administrative authorities to make correction within a stipulated period. Where the necessary correction is not made within the stipulated period, the employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold.

The number of dispatched contract workers once exceeded 10% during the Track Record Period. Based on the total number of employees and number of dispatched contract workers at the end of each month, the average percentage of dispatched contract workers at our Company was 10.2% in 2022; the average percentage of dispatched contract workers at our subsidiary Shuangdeng Front was 28.0% in 2022. We have taken active measures to address this issue by converting labor-dispatched employees into regular employees, thereby reducing the proportion of labor-dispatched workers. Since December 2022 and up to the Latest Practicable Date, the number of dispatched staff of our Company and each of our subsidiaries did not exceed the threshold of 10% as required by the Interim Provisions. These dispatched staff were mainly hired for positions with supporting nature. For details, see “Business — Employees — Dispatched Staff” in this document.

RISK FACTORS

Even though we had not received any notice of warning or been subject to any administrative penalties or other disciplinary actions from relevant PRC authorities, we cannot assure you that the relevant PRC authorities will not take actions retrospectively against us for our past practice. Such actions may adversely affect our business, results of operations and reputation. If we decide to increase our number of dispatched workers in the future and are found to be in violation of the rules regulating dispatched contract workers, we may be subject to fines and penalties. Such penalties may adversely affect our business, results of operations and reputation.

As the interpretation and implementation of the Labor Contract Law, the Social Insurance Law and other labor related regulations (the “**labor-related laws and regulations**”) continually evolve, we cannot assure you that our employment practices do not and will not violate labor-related laws and regulations in the PRC, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor-related laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

Present or future environmental, safety and occupational health laws and regulations in the PRC may have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to certain PRC laws and regulations relating to environmental, safety and occupational health matters. Under these laws and regulations, we are required to maintain safe production conditions and to protect the occupational health of our employees. While we have conducted periodic inspections of our operating facilities and carry out equipment maintenance on a regular basis to ensure that our operations are in compliance with applicable laws and regulations, we cannot assure you that we will not experience any material accidents or worker injuries in the course of our manufacturing process in the future.

In addition, our manufacturing process produces pollutants such as waste water, waste gas. The discharge of waste water and other pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. We cannot assure you that all situations that will give rise to material environmental liabilities will be discovered or any environmental laws adopted in the future will not materially increase our operating costs and other expense. Should the PRC impose stricter environmental protection standards and regulations in the future, we cannot assure you that we will be able to comply with such new regulations at reasonable costs, or at all. Any increase in production costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial condition or results of operations.

RISK FACTORS

Fluctuations in exchange rates could adversely affect our results of operations.

We derive a growing portion of our sales from international customers. Therefore, a portion of our total revenues have been denominated in foreign currencies. Our sales outside China represented 16.6%, 21.8%, and 19.8% of our total revenues in 2022, 2023 and 2024, respectively. As a result, we face risks resulting from currency exchange rate fluctuations. We incurred a net foreign exchange gain of RMB17.5 million, RMB12.3 million and RMB10.6 million for the years ended December 31, 2022, 2023 and 2024, respectively. We cannot predict the impact of future exchange rate fluctuations on our results of operations and may incur net foreign currency losses in the future.

Any failure to comply with PRC regulations regarding our share incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

The SAT has issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon the exercise of the share options or grant of the restricted shares. Our PRC subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon the exercise of the share options or grant of the restricted shares. If our employees fail to pay, or we fail to withhold, their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by competent governmental authorities.

Also, pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in the Stock Incentive Plan of an Overseas Listed Company, or SAFE Circular 7, issued by SAFE in February 2012, employees, directors, supervisors and other management members participating in any stock incentive plan of an overseas [REDACTED] company who are PRC residents or who are non-PRC residents residing in China for a continuous period of not less than one year, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas [REDACTED] company, and complete certain other procedures. After our company becomes an overseas [REDACTED] company upon completion of the [REDACTED], we and our directors, executive officers and other employees who are PRC residents and who have been granted share-based awards may follow SAFE Circular 7 to register with SAFE or its local counterparts. We will make efforts to comply with these requirements upon completion of our [REDACTED]. However, there can be no assurance that they can successfully register with SAFE in full compliance with the rules. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also affect the ability to make payments under our share incentive plans or receive dividends or sales proceeds related thereto or our ability to contribute additional capital to our wholly foreign-owned enterprises in China and limit our wholly foreign-owned enterprises’ ability to distribute dividends to us.

RISK FACTORS

Our legal right to use certain leased properties could be challenged or restricted.

Lessors had not provided title certificates of 16 properties we leased as of the Latest Practicable Date. Despite the lack of certain title certificates of our leased properties, those leased properties are easily replaceable and do not serve as the primary production and operation sites for us. According to the relevant PRC laws and regulations and as advised by our PRC Legal Advisor, our rights as occupant of these properties may be adversely affected due to the absence of the relevant building ownership certificates. For details, see “Business — Properties” in this document. We cannot assure you that the landlord of these properties have the right to lease the relevant property to us. As advised by our PRC Legal Advisor, we may not be able to continue to use such property if the ownership of the property we have leased and/or the validity of such lease is challenged by third parties. In such a scenario we will have to relocate to other premises, which could result in additional costs. Should disputes arise due to title encumbrances to such properties or government action, we may encounter difficulties in continuing to lease such properties and may be required to relocate in the future.

We may be subject to fines for failure to register some of our leases.

As of the Latest Practicable Date, we had not obtained proper lease registration for 20 leased properties, primarily due to the difficulty of procuring our lessor’s cooperation to register the lease. As advised by our PRC Legal Advisor, the non-registration of the property lease will not affect the validity of the lease contract and relevant legal rights under the contract, but relevant local housing authorities may require us to complete the registration within the prescribed period and we may be subject to penalties of RMB1,000 to RMB10,000 as a result of the non-registration for each of the property. For details, see “Business — Properties” in this document.

We may be subject to fines for using leased properties in a manner that differs from the purpose of title certificate.

As of the Latest Practicable Date, one of the properties we leased, with a total GFA of 88.68 square meters is being used for commercial purposes, which differs from the usage stated in the title certificate, where the property is recorded as residential. According to the relevant PRC laws and regulations and as advised by our PRC Legal Advisor, properties with a change in usage cannot be leased; otherwise, a fine of up to RMB5,000 may be imposed, and if there is illegal income, a fine of between one to three times the illegal income may be imposed, not exceeding RMB30,000. Therefore, the lessor faces the risk of being required to rectify the situation within a specified period and being fined, and we face the risk of being unable to continue using the leased property. For details, see “Business — Properties” in this document.

RISK FACTORS

Any dispute or claim in relation to these properties could result in us having to relocate and obtain alternative accommodation for certain of our employees. If our right to use these properties is challenged, we would need to seek alternative properties on short notice and incur relocation costs, and there is no guarantee that we would be able to find suitable alternative properties on reasonable commercial terms, or at all. Any relocation could lead to disruptions to our operations and may have an adverse effect on our business, financial condition, results of operations and prospects.

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

On February 17, 2023, the CSRC issued the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five supporting guidelines, which came into effect on March 31, 2023 (the “**Overseas Listing Regulations**”). The Overseas Listing Regulations are applicable to overseas securities [REDACTED] and [REDACTED] conducted by issuers who are (i) companies incorporated in the PRC (“**PRC domestic companies**”) and (ii) companies incorporated overseas with substantial operations in the PRC. The Overseas Listing Regulations lay out the arrangements for regulatory filings for both direct and indirect overseas offerings, and clarify the determination criteria for indirect overseas offerings in overseas markets. The Overseas Listing Regulations stipulate that such issuer shall fulfill the filing procedures within three working days after it makes an [REDACTED] for [REDACTED] and [REDACTED] in an overseas stock market. According to the Overseas Listing Regulations, we, as a PRC domestic company seeking to [REDACTED] and [REDACTED] securities in overseas markets, are required to fulfill the filing procedure with the CSRC within three working days after submitting the [REDACTED] documents to the overseas supervisory authorities and report relevant information. For details, see “Regulatory Overview — Laws and Regulations Relating to Overseas Issuance/Listing of Securities” in this document.

The Overseas Listing Regulations may subject us to additional compliance requirements in the future, and we cannot assure you that we will be able to get clearance of our filing procedures under the Overseas Listing Regulations on a timely basis, or at all. Any failure on our part to fully comply with the new regulatory requirements may significantly limit or completely hinder our ability to continue to sell our securities to investors, cause significant disruption to our business operations, and severely damage our reputation, which could affect our financial condition and results of operations and cause our securities to decline in value or become worthless.

RISK FACTORS

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares and the liquidity and [REDACTED] of our H Shares may be volatile.

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

The [REDACTED] and [REDACTED] volume of our H Shares may be volatile, which could result in substantial losses to you.

The [REDACTED] and [REDACTED] volume of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in mainland China that have [REDACTED] their securities in Hong Kong may affect the volatility in the price of and [REDACTED] volumes for our H Shares. A number of mainland China-based companies have [REDACTED] their securities, and some are in the process of preparing for [REDACTED] their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their [REDACTED]. The [REDACTED] performances of the securities of these companies at the time of or after their [REDACTED] may affect the overall [REDACTED] sentiment towards mainland China-based companies [REDACTED] in Hong Kong and consequently may impact the [REDACTED] performance of our H Shares. Pursuant to the applicable PRC law, within the 12 months following the [REDACTED], all existing Shareholders (including the Pre-[REDACTED] Investors) could not dispose of any of the Shares held by them. Due to such lock-up requirement, the liquidity and [REDACTED] volume of the H Shares in the short-term following the [REDACTED] may be significantly affected. These factors may significantly affect the [REDACTED] and volatility of our H Shares, regardless of our actual operating performance.

You may incur immediate and significant dilution and may experience further dilution if we issue additional H Shares in the future or if the [REDACTED] of our H Shares is higher than our consolidated net tangible book value per H Share.

If the [REDACTED] of our H Shares is higher than the net tangible book value per H Share of our H Shares immediately prior to the [REDACTED], purchasers of our H Shares in the [REDACTED] will experience an immediate dilution in [REDACTED] net tangible book value. If we issue additional H Shares in the future, purchasers of our H Shares in the [REDACTED] may experience further dilution in their shareholding percentage.

RISK FACTORS

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance that we will declare and distribute any dividends in the future.

Our ability to declare future dividends will depend on the availability of dividends, if any, received from us and our other PRC operating subsidiaries. Under PRC law and the constitutional documents of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory capital reserve funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. The calculation of our distributable profits under PRC GAAP differs in certain respects from the calculation under IFRS. In addition, as stipulated by our Articles, distributable profits are recognized as our net profit determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, our Company and our PRC operating subsidiaries may not be able to pay a dividend in a given year if our Company or our PRC operating subsidiaries do not have distributable profits as determined under PRC GAAP even if they have profits as determined under IFRS. For details, see “Financial Information — Dividends” in this document and Note 11 to the Accountants’ Report in Appendix I to this document.

There can be no assurance that future dividends will be declared or paid. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account our results of operations, financial condition, cash requirements and availability and other factors as they may deem relevant, and subject to the approval at a Shareholders’ meeting. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

We may need additional capital, and the sale or issue of additional Shares or other equity securities could result in additional dilution to our Shareholders.

Notwithstanding our current cash and cash equivalents and the net [REDACTED] from the [REDACTED], we may require additional cash resources to finance our continued growth or other future developments. We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell additional equity securities, which could result in additional dilution to our Shareholders.

Our Controlling Shareholders may have substantial influence over our Company and their interests may not be aligned with the interests of other Shareholders.

Our Controlling Shareholders have significant influence over our operations and business strategies, and may have the ability to require our Group to effect corporate actions according to their own desires by virtue of their shareholding in our Group. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders chooses to cause our business to pursue strategic objectives that conflict with the interests of other Shareholders, our Group or those other Shareholders’ interests may be adversely affected as a result.

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In addition, there is no guarantee that the Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the [REDACTED]. We cannot predict the effect, if any, of any future sales of the Shares by any of its Controlling Shareholders, or that the availability of the Shares offered by any of the Controlling Shareholders for purchase may have on the [REDACTED] of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing [REDACTED] of the Shares.

Facts, forecasts and statistics in this Document relating to the PRC and global economy and the energy storage industry may not be fully reliable.

Certain facts, forecasts and statistics in this document relating to the PRC and global economy and the industries in which we operate are obtained from various sources including official government publications that we believe are reliable. However, there can be no guarantee of the quality or reliability of these sources. Neither we, the Joint Sponsors nor our or their respective affiliates or advisors have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this document relating to the PRC, the global economy and the industry in which we operate may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Furthermore, there can be no assurance that they are stated or compiled on the same basis, or with the same degree of accuracy. Therefore, you should not unduly rely upon the industry facts, forecasts and statistics contained in this document.

Future sales or perceived sales of substantial amounts of our H Shares in the [REDACTED] could have a material adverse effect on the price of our H Shares and our ability to raise additional capital in the future.

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

RISK FACTORS

Future sale or major divestment of Shares by our Controlling Shareholders may materially and adversely affect the prevailing [REDACTED] of our H Shares.

Our Shares held by our Controlling Shareholders are subject to certain lock-up periods. For details, see “[REDACTED]” in this document. However, there is no assurance that after the restrictions of the lock-up periods expire, our Controlling Shareholders will not dispose of any Shares. Sale of substantial amounts of our Shares in the [REDACTED], or the perception that these sales may occur, may materially and adversely affect the prevailing [REDACTED] of our H Shares.

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the net [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return to our Shareholders. For details, see “Future Plans and Use of [REDACTED] — Use of [REDACTED]” in this document. However, our management will have discretion as to the actual [REDACTED] of our net [REDACTED]. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the net [REDACTED] from this [REDACTED].

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the [REDACTED] and [REDACTED] volume of our H Shares may decline.

The [REDACTED] market for our H Shares will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers us downgrades our H Shares or publishes inaccurate or unfavorable research about our business, the [REDACTED] for our H Shares would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the [REDACTED] or [REDACTED] volume for our H Shares to decline.

You should read the entire Document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this Document, there has been press and media coverage regarding us, our business, our industry and the [REDACTED]. There may be additional media coverage regarding us, our business, our industry and the [REDACTED] subsequent to the date of this Document but prior to the completion of the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this Document, including certain operating and financial information and projections, valuations and other information. None of us or any other person involved in the

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[REDACTED] has authorized the disclosure of any such information in the press or media and none of us accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. Our Company, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our and their respective directors, supervisors, officers, representatives, employees, advisors or any other persons or parties involved in the [REDACTED] make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this Document, our Company, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our and their respective directors, supervisors, officers, representatives, employees, advisors or any other persons or parties involved in the [REDACTED] disclaim responsibility for it, and you should not rely on such information.

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

This Document contains certain statements and information that are forward-looking and uses forward-looking terminology such as “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this Document should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to this cautionary statement.