OVERVIEW

Who We Are

We are a leading company in energy storage business for big-data and telecommunication industries. We focus on the design, R&D, manufacturing, and sales of energy storage batteries and systems. Capitalizing on the rich experience we have accumulated over a decade through serving diverse customers operating telecom base stations, data centers, power stations, power grids, and in other energy storage settings, we are well-positioned to capture the vast market opportunities brought up by the big data era, and continue leading the development of the industry. According to Frost & Sullivan, in 2023, we ranked the first among global telecom base station and data center energy storage battery providers in terms of shipment volume, achieving a market share of 10.4%.

Based on our in-depth understanding of industries and customers, we are dedicated to providing customers with energy storage batteries that may properly address their individualized and diversified energy storage needs. In particular, our major customers engage in big data and telecommunication industries, which offer key infrastructure for both digital and real economy, and place a high priority on safety and reliability. We are committed to continuous investment in the development of technology and products with compound technical routes and multi-scenario coverage to fulfill our customers' need. In addition, capitalizing on our insights into evolving customer demands, especially during an era marked by significant growth in the application of big data and artificial intelligence technology, we have managed to facilitate our customers in securing a high-quality, safe and cost efficient energy supply.

Leveraging our distinguished technology and product strength, robust manufacturing and service capability, as well as our strong brand reputation, we have established long-term business relationship with world-leading telecommunication enterprises, and technology companies, creating a synergy that feature mutual trusts and solid cooperation. This allows us to continuously maintain our market leading position among the global telecom and data center energy storage battery providers for consecutive three years. As of December 31, 2024, we have served five of the world's top ten telecom operators and equipment manufacturers, nearly 30% of the world's top 100 telecom operators and equipment manufacturers, and all of China's top five telecom operators and equipment manufacturers. We served 80% of top 10 Chinese self-owned data center companies and 90% of top 10 Chinese third-party data center companies. We have served our top five customers in 2022, 2023 and 2024 for an average of over ten years.

The following image showcases some of our scale and achievements:

Notes:

(1) *Top 100 telecom operators and equipment manufacturers are ranked based on the top telecom equipment manufacturers ranking integrated by Frost & Sullivan from multiple open sources, annual report, and research database of Frost & Sullivan, and the top 100 telecom operators ranking provided by Dgtl Infra, a platform for digital infrastructure intelligence providing data on telecom, data centers, fiber, etc. The top 100 telecom operators and equipment manufacturers are selected based on several quantifiable factors including sales revenue,* ***[REDACTED]****, number of subscribers, number of employees, etc.*

(2) *By the definition provided by China Academy of Information and Communications Technology (CAICT), self-owned data center companies are companies build, own and operate their own data centers, mainly telecom operators and cloud services providers. Top 10 Chinese self-owned data center companies are ranked based on CAICT, International Data Corporation (IDC) and research database of Frost & Sullivan. Top 10 Chinese self-owned data center companies are selected based on several quantifiable factors including sales revenue, service range, investment in research and development, etc.*

(3) *Top 10 Chinese third party data center companies are ranked based on "Top 10 Data Center Service Providers in China in 2024" launched by CAICT. Top 10 Chinese third party data center companies are selected based on factors including overall scale, capacity building, financial status, international layout, etc.*

Our Market Opportunity

The global energy market is undergoing a profound transformation from fossil fuels to renewable energy. The evolving global trend toward electrification further drives significant collaboration among new energy, energy storage, and smart grids, promoting sustainable development of green economy. In particular, energy storage allow new energy achieve improved power supply stability, thus effectively solving long-lasting challenges in the development of renewable energy industry. From 2023 to 2030, global added installed capacity of solar PV is expected to increase from 345.5 GW to 927.8 GW. During the same period, global added installed capacity of wind power is expected to increase from 116.0 GW to 356.4 GW. Besides the rapid growth of global renewable energy installations, the increase in energy storage duration and ratios of renewable projects equipping energy storage is further accelerating the demand for energy storage batteries. In Europe, for instance, the energy storage ratio in solar PV industry has reached over 65% in 2023, with average storage durations of over 1.5 hours. In China, major provinces and cities have mandated high energy storage ratios of 10%-30% for renewable projects, with extended storage durations of over two hours. Till 2030, there is still significant room for global improvement in energy storage ratio and storage duration, as regions with a high proportion of renewable energy installations are approaching a storage duration of nearly 4 hours. Thus, the global transition to renewable energy will dramatically increase the need for energy storage systems, especially lithium-ion and lead-acid batteries. According to Frost & Sullivan, global energy storage cumulative installed capacity is expected to increase from 478.5 GWh in 2023 to 6,393.0 GWh in 2030.

We are now immersed in an era defined by the transformative power of artificial intelligence and big data, where the transmission, storage and computation of vast amounts of data all require significant supply of power, imposing a key bottleneck on green energy and energy storage sector. In addition, the continuously enhanced interaction and collaboration among data infrastructure, telecom base stations and end users, keep driving power demand to increase in the artificial intelligence and big data era.

- **Telecom base stations:** Telecom base stations, the essential infrastructure to ensure reliable data transmission, constitute an efficient transmission network to facilitate robust computing power. In recent years, along with the rapid global expansion of 5G telecom base stations, the upgrading and development of telecommunication technology are expected to continue to drive robust demand for infrastructure development. According to Frost & Sullivan, the cumulative number of global telecom base stations is expected to increase from 17.8 million units in 2023 to 42.2 million units in 2030, which will drive the global added installed capacity of telecom energy storage to rise from 37.8 GWh in 2023 to 128.0 GWh in 2030.

- **Data centers:** As the key carriers of latest-generation digital technologies, such as artificial intelligence and cloud computing, data centers experienced a rapid growth in recent years around the world. The advent of the AI era is also accelerating the industry trend towards large-scale and high-computing power data centers. According to Frost & Sullivan, the proportion of global electricity consumption by data centers is expected to increase from 3.3% in 2023 to 10.1% in 2030. In line with this rapid expansion and upgrade, a sufficient power supply at low costs has become one of the core demands. During this process, driven by global pursuit of clean and secure energy source, there has been a rapid growth in market demands for energy storage products. According to Frost & Sullivan, the global added installed capacity of data center energy storage is expected to increase from 13.1 GWh in 2023 to 212.2 GWh in 2030.

Our Journey and Strategic Evolution

Founded in 2011 in Taizhou, Jiangsu Province in China, we have demonstrated reliability and high quality of our batteries and services over the past decade. We have continually expanded our business, established a strong global reputation, and built brand influence, laying a solid foundation for our long-term sustainable development.

- **Energy storage for telecom base stations:** At the outset, we entered the energy storage sector for telecom base stations, establishing long-term cooperative relationship with leading telecom operators and equipment manufacturers in China, including China Mobile, China Unicom, China Telecom, and China Tower. Since 2017, we have continuously expanded our overseas presence, and have successfully entered into supply chains of many world-renowned enterprises to provide energy storage batteries for telecom base stations, including Ericsson, Vodafone, and Telenor.

  Based on our highly automated manufacturing capabilities, stringent quality control system, and rapid service response, our energy storage batteries for telecom base stations have garnered an excellent reputation among customers, with successful track record of serving global leading telecom operators around the world. As of December 31, 2024, we had established long-term, in-depth cooperative relationship with world-renowned customers, covering nearly 30 of the top 100 telecom operators and equipment manufacturers in the world.

  According to Frost & Sullivan, in 2023, we ranked first in terms of shipment volume in the global telecom base station energy storage market, achieving a market share of 9.7%.

- **Energy Storage for Data Centers:** With the penetration and promotion of big data technologies, energy storage batteries for data centers have become essential products for ensuring data security and energy security. In 2018, we keenly identified the market demands of the internet era and began establishing cooperative relationship with large tech companies and data center operators. Since 2018, we have successively collaborated with Alibaba, JD.com, Baidu, GDS, and ChinData. In 2022, we innovatively developed the first large-scale dual-function energy storage plan incorporating "backup power + power storage and management" for data centers in China, and supplied our products to the Xiong'an Urban Supercomputing Center, contributing its successful achievement of being recognized as national green data center. Up to the Latest Practicable Date, our energy storage products have been used in hundreds of data centers.

  According to Frost & Sullivan, in 2023, we ranked first among Chinese companies in terms of shipment volume in the global data center energy storage market. In 2023, our market share in the global data center energy storage market reached 12.5%.

- **Electrical Energy Storage Settings:** We are committed to expanding our presence in the electrical energy storage settings, where we have successfully captured market opportunities brought up by sectors in large-scale power grid energy storage, and commercial and residential storage settings. In particular, we have participated in, as a key supplier of energy storage products and systems, the development of the State Grid Zhangbei Energy Storage System Project, which started operation since 2011 as the world's largest new energy power station in terms of installed capacity integrating wind power, solar PV, energy storage systems, and intelligent power transmission as of the Latest Practicable Date. We have subsequently launched energy storage projects across China, as well as in Cambodia, Mongolia, Guinea and Central Africa.

  In 2016, we began developing energy storage batteries in commercial and residential settings. As a well-recognized brand, our products are sold in Europe, Africa, Asia, and other regions. According to Frost & Sullivan, in 2024, we are one of the leading Chinese companies in terms of shipment volume of energy storage batteries in commercial and residential settings.

Building on our extensive battery technology expertise and broad coverage of customers across different industries, we have developed a product matrix that spans the aforementioned three major settings. Through a customer-centric approach, we are committed to continually enhancing the value of our lithium-ion and lead-acid batteries provided to our customers. Our strategic focus on big data and telecom sectors with dual technical routes, combined with our strong R&D capabilities in producing safe, high performance and cost-effective products, as well as our high-quality customer base and strong brand reputation, has enabled us to achieve market leadership. More specifically:

- Strategic focus on big data and telecom sectors with dual technical routes: We have a strategic focus on the energy storage batteries applied in data centers and telecom base stations. With the strong growth in demand for AI computing, 5G network and expansion of IoT related applications, energy storage batteries applied in big data and telecom sectors have great growth potential. Our customers in big data and telecommunication industries place a high priority on safety and reliability. In response to these market demands, we have adopted a dual-tech route, offering both lead-acid and lithium-ion batteries to address diverse needs of customers across different application scenarios: lead-acid batteries for scenarios with high safety requirements, and lithium-ion batteries for growth areas that demand high performance and need integration with new energy solutions. With our dual technical routes to address the evolving needs of customers in our strategic markets, we believe that we are well-positioned to seize the tremendous market opportunities in the downstream markets.

- Safe, high performance and cost-effective products: Through our R&D in advance technology, we are able to produce energy storage batteries that excel in safety, cost-effectiveness and performance. For example, over the past decade, we have never experienced any material dispute or accident caused by our products' quality, maintaining an excellent record on product safety for our batteries sold and used around the world. Additionally, we are leading the development of the industry standard for "Lithiumiron Phosphate Battery Packs for AC UPS in Data Centers" in China, setting the benchmark for energy storage battery technology in the era of big data.

- Strong brand reputation and high-quality customer base: With over a decade of dedicated industry expertise, we have established a globally leading customer base and a stronger brand reputation. We served nearly 30 of the world's top 100 telecom operators and equipment manufacturers and have consistently received positive feedback and numerous award from our customers. For example, for four consecutive years of 2021-2024, we have been the only energy storage battery company to receive China Mobile's Tier-1 Excellent Supplier (A-Level) award. Through our relentless efforts, the "Shoto" brand now stands for exceptional reliability and continuous innovation, enabling us to maintain a leading customer base and market share.

Our Financial Performance

After years of dedicated efforts, we have achieved strong financial performance. We recorded revenue of RMB4,072.5 million, RMB4,259.8 million, and RMB4,498.5, in 2022, 2023 and 2024, respectively. We recorded gross profit of RMB689.6 million, RMB866.8 million and RMB750.9 million in 2022, 2023 and 2024, respectively. We recorded net profit of RMB281.0 million, RMB385.2 million, and RMB353.3 million, respectively.

OUR STRENGTHS

Global leading storage battery company in data center and telecom industries

In the global trend of AI revolution and the era of big data, the demand for energy storage batteries in data centers and telecommunication sectors is poised for explosive growth. According to Frost & Sullivan, global shipments of the energy storage batteries used for telecom base stations and data centers increased from 37.7 GWh in 2021 to 50.9 GWh in 2023, reflecting a CAGR of 16.2%. It is projected to further rise to 340.2 GWh by 2030, with an anticipated CAGR of 31.2% from 2023 to 2030.

With a deep understanding of the industry and customer demand, we have developed industry-leading technologies and multi-pathway products with optimal balance among safety, cost efficiency and performance, which enables us to capture huge growth potential in our industry. Since our inception, we have focused on energy storage technology applied in the telecommunications sectors. We proudly hold prominent positions in various influential industry organizations, such as Vice Chairman of the Battery Branch of the China Electrical Equipment Industrial Association, Council Member of the Data Center Branch of the China Computer Users Association, Vice Chairman of the Zhongguancun Energy Storage Industry Technology Alliance, and Vice Chairman of the first council of the Jiangsu Energy Storage Industry Association. These roles enable us to closely monitor and effectively participant in forming industry standards or driving industrial progress. Our quality management practices under the ''Industrial Internet + Intelligent Manufacturing'' model have earned us the 2023 National Quality Benchmark recognition from the China Association for Quality. Our energy storage batteries applied for telecom base stations have been awarded the seventh batch of National ''Single Champion Products'', in recognition of our leading manufacture technology, prominent market share and excellent product quality.

At the same time, we are committed to advancing green and low-carbon initiatives, adhering to the principles of "new energy, circular economy, and high technology." We are dedicated to manage our manufacture in a safe, efficient, and environmental-friendly method, earning the distinction of one of the first "National Green Factories" by the Ministry of Industry and Information Technology in 2017. Additionally, we work closely with our suppliers to minimize environmental impact, and in 2021, we were honored as a "National Green Supply Chain Management Enterprise" by the Ministry of Industry and Information Technology.

Through years of deep involvement in the industry, we have gained a profound insight of the energy storage needs for telecom base stations and data centers, and established strong customer loyalty and extensive brand influence. With our advanced technology, premium customer base, and global brand presence, we hold a competitive edge in the global market. According to Frost & Sullivan, in 2023, we ranked the first among global telecom and data center energy storage battery providers in terms of shipment volume. Our revenues generated from data center segments have also shown rapid growth, increasing from RMB764.8 million in 2022 to RMB1,391.9 million in 2024. In the era of artificial intelligence and big data, we are well-positioned to capture the vast market opportunities of the future.

R&D capabilities in high safety, cost efficiency and superior performance

Our products span diverse application scenarios, including energy storage for telecom base stations, data centers, and the electrical energy storage settings. We continuously expand our technology portfolio to encompass lithium-ion batteries, lead-acid batteries, sodium-ion batteries, and solid-state batteries, ensuring we can provide the most suitable products for various application scenarios and diverse customer use. Our R&D efforts are focused on addressing the needs and pain points of our customers operating telecom base stations and data centers, with a steadfast commitment to ongoing improvements in safety, cost, and performance of our products.

- **Product Safety:** We uphold a safety-first philosophy for our energy storage technologies, which is particularly crucial in fields such as telecommunications and data centers. We conduct comprehensive safety testing across all stages, from cells and modules to pack and systems, ensuring our products meet UL, IEC, and other certification standards. For the past decade, we have never experienced any material dispute or accident caused by our products' quality, maintaining an excellent record on product safety for our batteries sold and used around the world over ten years. To further enhance the energy safety, we have been actively developing the solid-state battery technology, thereby strengthening our position to capture potential future market opportunities therein.

- **Product Cost:** Starting from the product design, we adopt dual-component material system to reduce raw material costs and optimize cost efficiency of our batteries. We also pursue supreme efficiency in our production and operational management. During the Track Record Period, through utilizing standardized production procedures in large scale, highly automated production lines and advanced production technique, we keep the comprehensive BOM loss rate at approximately 6.6%, achieve a material pass-through rate of over 98.0%, and maintain a final product qualification rate of 99.8% compared to the industry average BOM loss rate of 6% to 10%, average material pass-through rate of 90% to 99%, average product pass-through rate of 90% to 95%, and average final product qualification rate of 95% to 99%. Furthermore, leveraging our leading market position and long-term business relationship with enterprises along the supply chain, we managed to achieve a stable, high-quality supply with highly competitive price arrangement. We offer a diverse range of products across multiple technology pathways to provide the most cost-effective options that meet customer performance requirements. Since 2020, we have been taking proactive measures in studying development of the sodium-ion energy storage technologies, capitalizing on which, we have successfully launched our first 48V sodium-ion battery system for telecom base stations in 2023. Our sodium-ion batteries have been widely adopted in telecom base stations by telecommunication companies in multiple provinces and regions, including Anhui, Qinghai, Tibet and Gansu. In addition, we have participated in, as one of the leading organizations, preparation of the industry standard for *"Sodium-Ion Battery Packs for Communication" in China, which may facilitate continuous cost reduction across the industry.*

- **Product Performance:** Our energy storage batteries for telecom base stations can operate within a temperature range of -45℃ to 75℃ and are able to meet charging and discharging requirements under extreme conditions, including normal operation at altitudes of up to 5,000 meters. Our batteries applied in data centers, utilizing advanced technologies such as continuous grid plate preparation technology, deliver superior high-rate performance. These products achieve discharge rates exceeding 6C, with instantaneous discharge capabilities reaching 10C, making them ideal products to serve customer-specific performance needs across various application scenarios. Additionally, we are leading the development of the industry standard for "Lithium-iron Phosphate Battery Packs for AC UPS in Data Centers" in China, setting the benchmark for energy storage battery technology in the era of big data.

We have established a technical expert committee led by multiple academicians and comprised of over 30 renowned industry experts. This committee collaborates with distinguished experts from leading institutions such as China Electric Power Research Institute, Tsinghua University, Nanjing University, and Huazhong University of Science and Technology. Together, we have developed a long-term, stable research and communication mechanism, regularly engaging in academic exchanges to stay abreast of cutting-edge technological advancements. Through active collaboration between industry, academia, and research, we continuously optimize our product manufacturing process and technologies, driving ongoing innovation.

During the Track Record Period, our R&D expenses accounted for 2.5%, 2.6% and 2.5% of our total revenues. We protect the scientific achievements and core technologies resulting from our R&D investments through patents and other means. As of the Latest Practicable Date, we held a total of 337 patents, including 106 invention patents.

Outstanding manufacturing and operational capabilities

We are an energy storage battery manufacturer distinguished by optimal production and operational efficiency. Adhering to the principles of lean manufacturing and efficient resource allocation, we achieve cost reduction and efficiency gains while keeping agile in getting adapted to the envolving market conditions.

We boast advanced manufacturing facilities and highly automated production systems, including vacuum paste mixers for high-speed dispersion vacuum mixing processes, coating machines that enable wide-width coating precision automatic extrusion, high-speed automated assembly lines, and a comprehensive digital monitoring and manufacturing execution system for the entire product manufacture lifecycle. These innovations, combined with our highly automated and precise production methods, enable us to achieve a product pass-through rate of 92.5%. Furthermore, we utilize the Manufacturing Execution System (MES) for intelligent and digital management throughout the entire production process. This enhances efficiency and ensures seamless coordination across all departments and stages. By embracing lean production principles, we optimize resource allocation and sharing. Our lithium-ion battery production cycle is only 11 days, and our lead-acid battery production cycle is just 15 days, both of which are industry-leading benchmarks. The average industry production cycle of lithium-ion batteries is 15 to 25 days, and the average industry production cycle of lead-acid batteries is 20 to 40 days. Our factory has also been honored with national recognition for excellence in intelligent manufacturing.

We are committed to achieving operational excellence. Through meticulous management, we maximize resource utilization efficiency and enhance output effectiveness, enabling us to provide high-quality, cost-effective batteries to our customers. Our agile production planning ensures seamless coordination between manufacturing and sales, allowing us to swiftly adapt to market changes and customer demands, thereby capturing the emerging market opportunities. Our superior supply chain management, characterized by optimized inventory levels, improved logistics efficiency, and advanced supply chain management technologies, enables us to respond quickly and accurately to market needs. Our outstanding management efficiency is reflected in our strong financial performance. During the Track Record Period, our gross profit margin was 16.9%, 20.3%, and 16.7%, respectively, and our inventory turnover rates was 6.9, 6.8 and 7.8, respectively, which were above industry average, according to Frost & Sullivan.

High-quality customer base with trust and loyalty to our brand

We leverage our technological and market advantages to drive innovation and meet market demands. With over a decade of dedicated industry expertise, we have established a globally leading customer base and brand strength. Upholding the "customer first" philosophy, our extensive industry expertise and customer service efforts have given us a deep insight of customer needs and pain points, which enables us to provide the most suitable products and consistently improve customer experience and satisfaction, fostering trust and loyalty to our brand.

With our unwavering commitment to enhance the market recognition of our brand, we boast a high-quality global customer base. We proudly served nearly 30 of the world's top 100 telecom operators and equipment manufacturers. In the realm of telecommunication industry, we have forged strong relationship with leading telecom operators and telecommunication equipment manufacturers in China, such as China Mobile, China Telecom, China Unicom, and China Tower, as well as prominent international telecommunication giants like Ericsson, Vodafone, Orange, and Telenor.

With our long-term vision and commitment, we have dedicated ourselves to the energy storage battery industry for over a decade. Through our relentless effort to enhance our brand, the "Shoto" brand now stands for exceptional reliability and continuous innovation, enabling us to maintain a leading customer base and market share. We believe our customers view us as the definitive leader among global telecom and data center energy storage battery providers, placing complete trust in our products and our customer services. Our brand has also been recognized as a key international brand for cultivation and development in Jiangsu Province. For four consecutive years of 2021 to 2024, we have been the only energy storage battery company to receive China Mobile's Tier-1 Excellent Supplier (A-Level) award. We are awarded the Class I Collaborative Supplier accolade by China Tower in 2023. We are awarded by China Telecom as the Group-Level Excellent Supplier in 2022. We are awarded by Kehua Data as the Excellent Partner in 2023.

An experienced and visionary management team

We are led by a visionary, stable, and highly experienced management team. Our Chairman, Dr. Yang Rui, brings extensive experience in the energy storage battery industry and a global perspective. He has been honored with multiple accolades, including the 2024 Person of the Year in Energy Storage Battery Industry, and Jiangsu Province Excellent Entrepreneur. His forward-thinking strategic decisions have driven our company's continuous innovation and growth. Our executive Director and deputy general manager, Dr. Yang Baofeng, is a senior engineer who has received distinguished honors, such as "Jiangsu Province Technology Entrepreneur" and "Innovation and Entrepreneurship Star." He also serves as Vice Chairman of the China Battery Industry Association and the China Chemical and Physical Power Industry Association. Our senior management team possesses deep expertise in energy storage battery technology and business management. All senior team members have been with us for many years, ensuring effective management collaboration and a unified long-term business strategy.

Our management team implements a flat organizational structure, attracting enterprise teams that share our beliefs and qualities. For over a decade, our management team has maintained unwavering passion and clear objectives, focusing on our key products and core strengths. For instance, during the rapid growth phase of the EV battery industry, we decide not to rush into this field. Instead, we concentrated on deepening our expertise in our existing core products and application scenarios. Under the strategic direction of our core management team, we have expanded our focus from battery for telecom base stations to three major application scenarios and multiple technological pathways, extending our reach from the domestic market to a global presence. Our strategic focus has positioned us optimally to capitalize on the growth opportunities within the the era of big data and artificial intelligence.

OUR STRATEGIES

Further enhance and expand our energy storage business with customer-centric approach

Adhering to our customer-centric approach, we will continue devoting ourselves to deliver the most suitable and premium batteries to our customers across various industries, including telecom operators and tech companies. We have been the absolute leader in energy storage batteries for the telecom and data center industries. We plan to deepen our cooperative relationships with our existing recognized customers and increase our penetration rate. In addition, we plan to expand the application of our products to more scenarios and intend to expand our customer base in China and overseas, thereby increasing our market share in the era of big data and artificial intelligence.

Meanwhile, we seek to further enhance our capability in serving our customers. We have established multi-tiered market and customer service teams across various regions in China and around the globe to meet the diverse needs of our customers, further strengthening their trust and solidifying our market-leading position.

Further develop our data center business

As artificial intelligence technology ushers in a new era of widespread adoption, the surging demand for computing power will drive unprecedented growth in energy needs. In this landscape, energy storage becomes a pivotal technology within new power systems dominated by renewable energy. As a pioneer in energy storage battery provider for data centers, we leverage our deep industry insights and technological advantages to maintain our leadership in the sector.

In response to the expanding demand for computing power and the increasing energy consumption of data centers, we will maintain our innovative drive to provide comprehensive energy storage functions**,** including backup power, peak shaving and valley filling, and intelligent management, among others. We aim to seize growth opportunities in the data center sector and cultivate our second growth pillar.

We will continuously update and refine our energy storage battery technologies, to help our data center customers address critical challenges such as power reliability and cost control, thereby consistently supporting the growth of the digital economy and artificial intelligence.

Continue to invest in R&D

Through our R&D in advance technology, we strive to deliver batteries with superior performance, enhanced safety, and greater cost-effectiveness. This commitment enables us to meet the demands of our downstream customers and drive the development of our industry.

We are actively promoting the safe, stable, and efficient operation of energy storage systems. Guided by our iterative approach of "researching one generation ahead, pilot testing the next, and mass-producing the current", we continue to invest in strategic R&D areas such as the performance of fundamental raw material, system safety monitoring, intelligent management, sodium-ion battery technology, and solid-state battery technology. Leveraging our deep industry understanding, we are committed to providing our customers with the most optimal technologies and products across various application scenarios.

We will keep strengthening our R&D team by allocating more resources to R&D activities and establishing more efficient R&D platforms. By enhancing talent acquisition and development, we aim to recruit high-caliber professionals and elevate the overall quality of our R&D team, providing robust talent support for our technological innovations.

Expand our global presence

By leveraging our products competitiveness and strong brand reputation, we will actively serve and expand our global presence through business cooperation with domestic and overseas customers.

We will continue to deepen our presence and penetration in existing markets while actively investing in strategic markets such as Europe, Southeast Asia, and Africa. We plan to further expand our domestic and international sales networks to promote our global business.

In addition, we intend to establish more subsidiaries, production facilities, and warehousing centers abroad, seeking to extend our reach to serve more customers worldwide and enhance our brand recognition.

OUR PRODUCTS

During the Track Record Period, we derived revenues mainly from sales of energy storage batteries, including both lithium-ion batteries and lead-acid batteries. Our batteries are standardized standalone products. Our lithium-ion batteries are mainly lithium iron phosphate batteries, the products line of which includes both flexible packaging and square aluminum shell configurations. Our lead-acid batteries include absorbent glass mat batteries, gel batteries, and lead-carbon batteries. Each type of our batteries offers a comprehensive range of features and distinctive advantages, catering to our customers' diverse requirements in relation to their specific application scenarios under telecom base stations, data centers and electrical energy storage settings.

Leveraging our key technological advantages and robust manufacturing capabilities, our lithium-ion batteries and lead-acid batteries offer stable performance, long cycle lives, enhanced safety and high cost-effectiveness to meet diverse customer's needs for different application scenarios. We focus particularly on serving our customers' energy storage needs in telecom base station, data center, and electrical energy storage settings. According to Frost & Sullivan, in 2023, we ranked first in terms of shipment volume in global telecom and data center energy storage markets.

The table below sets forth the revenues breakdown by application scenario for the years and periods indicated:

	Year Ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Telecom base station	2,640,989	64.8	2,464,004	57.8	2,299,367	51.1
Data center	764,815	18.8	899,942	21.1	1,391,898	31.0
Electrical energy storage settings	302,443	7.4	487,977	11.5	450,840	10.0
Other settings[(1)]	281,906	7.0	339,863	8.0	261,105	5.8
Others[(2)]	82,327	2.0	67,991	1.6	95,312	2.1
Total	**4,072,480**	**100.0**	**4,259,777**	**100.0**	**4,498,522**	**100.0**

Notes:

*(1) Primarily include uninterruptible power supply ("**UPS**") batteries and start-stop batteries.*

(2) Primarily include sales of waste including lead slag, used batteries, and electricity sales.

Energy Storage Batteries for Telecom Base Station

We provide both lithium-ion batteries and lead-acid batteries in the application scenario of telecom base station. Our energy storage batteries for telecom base stations serve as a vital safeguard against power outages and shortages that could lead to network paralysis and communication disruptions, and therefore ensure the reliable operation of telecom base stations. Additionally, our energy storage batteries can be utilized to capitalize on the cost differences between peak and off-peak electricity rates. By storing energy during low-cost off-peak periods and using it during high-cost peak times, our energy storage batteries effectively reduce the overall electricity costs for the operation of telecom base stations.

Along with our insights accumulated from the decade-long history of serving customers in telecom base stations since our inception, we devote ourself to improve the technological performance of batteries to meet the evolving marketing demand and better serve the energy storage needs of our customers. During the Track Record Period, we have established stable relationship with major domestic telecom operators and equipment manufacturers, including China Mobile, China Unicom, China Telecom, and China Tower. According to Frost & Sullivan, in 2023, we ranked first among Chinese companies in terms of shipment volume in the global telecom base station energy storage market.

Lithium-ion Batteries

Our lithium-ion batteries designed for telecom base station not only boast high energy density, long cycle life, and high reliability, but also have features that can meet our customers' various needs in the setting of telecom base station, such as high adaptability for all kinds of geographical conditions, compact and lightweight design, and other specific requirements from our customers.

In particular, as telecom base stations are often deployed in diverse and challenging geographic conditions, our lithium-ion batteries for telecom base stations are designed with exceptional adaptability for telecom base stations operating in all geographic conditions, including extreme altitudes, high humidity levels, and a wide range of temperatures. Whether used in the heat of deserts, the cold of plateau, or the high humidity of tropical climates, our batteries ensure reliable performance and battery longevity.

The table below shows the technological specifications of our lithium-ion batteries and some of our key lithium-ion batteries designed for telecom base stations:

Lithium-ion Batteries Technological Specifications	Product Key Features
5G-4850 Series  Specific technological specifications: • Cycle Life: 800 – 3500 cycles at 80% Depth of Discharge (DOD) @ 35℃ • Charge/Discharge Efficiency: 97% • Operating Temperature Range: -40℃ to 60℃	Launched in 2019, our 5G-4850 series features a universal adaptability for all kinds of geographical conditions. With its broad operating temperature from -40°C~60°C, the 5G-4850 series is capable to meet the diverse needs of customers operating 5G telecom base stations in extreme weather and geological conditions, such as deserts, high altitude or extremely cold regions. In addition, it supports various types of installation methods, including wall-mounted, pole-mounted, and flat-mounted options, providing flexible and convenient deployment method to suit different telecom base station sites.
SDA10 Series  Specific technological specifications: • Cycle Life: 3500 cycles at 80% Depth of Discharge (DOD) @ 35℃ • Charge/Discharge Efficiency: 97% • Operating Temperature Range: -40℃ to 70℃	Launched in 2020, our SDA10 series is designed for customers who prioritize both performance and weight efficiency. With its high mass energy density up to 125Wh/kg, the SDA10 series can store the same amount of energy with significantly less weight and a more compact form. This advanced feature makes the SDA10 series ideal for applications for the telecom base stations where space and weight are critical constraints.

Smart-Li Series

Specific technological specifications:

- Cycle Life: 4000 cycles at 80% Depth of Discharge (DOD) @ 25℃
- Charge/Discharge Efficiency: 99%
- Operating Temperature Range: -20℃ to 60℃

Launched in 2021, our Smart-Li series is characterized by high compatibility. It is not only compatible with lithium-iron batteries from multiple brands and various voltages/technological specifications, but can also seamlessly operate in mixed power storage scenarios and power sources, regardless of lithium-iron batteries and lead-acid batteries.

The Smart-Li Series provides a perfect and flexible solution to our customers' need to scale up their existing energy storage power systems.

Lead-acid Batteries

Our lead-acid batteries designed for telecom base station are sealed, safe, and reliable, offering stable operation with high energy density. Even in high-temperature environment, our lead-acid batteries can maintain their efficient functionality over an extended lifespans. Our lead-acid batteries also feature low internal resistance, a minimal self-discharge rate, and superior charge acceptance capabilities. In addition, the compact structure of our lead-acid batteries make these batteries an ideal choice for the telecom base stations.

The table below shows the technological specification of our lead-acid batteries and some of our key lead-acid batteries designed for telecom base stations:

Lead-acid Batteries Technological Specifications	Product Key Features
GFM Series  Specific technological specifications: • Capacity Range: 200Ah – 3000Ah • Discharge Rate: 0-3C	Launched in 2014, our GFM series is our primary products designed for use in telecom base stations. The GFM series have reliable sealing and uniquely designed monomer structure to guarantee safe and stable operation.

6-FMX Series

Launched in 2017, our 6-FMX series is characterized by its compact design and ease of installation. With a length-to-width ratio of 3.75 to 5.00, it is ideal for telecom base stations where space is a critical constraint.

Specific technological specifications:

- Capacity Range: 50Ah – 200Ah
- Discharge Rate: 0 – 3C

Energy Storage Batteries for Data Center

Data centers, which provide mass data storage, processing and interaction services, require continuous power to manage and safeguard vast amounts of data. Our energy storage batteries applied in data centers provide robust defense against the risks of power outages and shortages that can lead to network failures and service interruptions. We provide both lead-acid batteries and lithium-ion batteries for the application scenario of data center.

According to Frost & Sullivan, safety and costs are the key considerations for energy storage batteries applied in data centers. Leveraging our strong technological advantages and decade-long experience in producing energy storage batteries, we keenly identified the market demands for energy storage in data centers in 2017 and established cooperative relationships with tech companies and data center operators. With triple terminal sealing technology and continuous plate preparation technology, our lead-acid batteries applied for data center not only featured high safety, but also provide high power density. Our lithium-ion batteries boast high power density up to 333kW/m^3, and are capable to meet the same energy storage requirements for operating data center with less number of batteries. Therefore, our customers can purchase and install fewer cabinets, reducing the weight on support structures and saving space, lowering the overall construction and operational costs of data centers.

In addition to providing emergency power during outages, our storage batteries also enable our customers to optimize the energy usage and reduce utility cost of the data centers by taking advantage of differences in electricity rates during peak and off-peak times. According to Frost & Sullivan, in 2023, we ranked first among Chinese companies in terms of shipment volume in the global data center energy storage market.

Lithium-ion Batteries

Our lithium-ion batteries designed for data centers can meet our customers' demand of high energy density, efficiency and reliability. With the highest C-rate performance up to 6C, our lithium-ion batteries offer faster charging and discharging speeds, while also supporting long-term float charging for standby power. Integrated with a multi-level BMS for interactive communication, our lithium-ion batteries enable intelligent battery management with real-time monitoring of voltage, current, and temperature parameters to enhance the safety of the batteries. In addition, our lithium-ion batteries have excellent thermal stability, produce less heat during operation, and provide reliable backup power assurance for data centers.

The table below shows the technological specification of our lithium-ion batteries and some of our key lithium-ion batteries designed for data center:

Lithium-ion Batteries Technological Specifications	Product Key Features
SHVP Series 	Launched in 2022, our SHVP series is featured by its discharge rate performance up to 6C high power range with compact design. With its maximum power range of 400 kW, this series can greatly save the space and costs of our customer operated data centers.

Specific technological specifications:

- Capacity Range: 80Ah – 280Ah
- Charge/Discharge Efficiency: 93%
- Operating Temperature Range: 0℃ to 45℃

Lead-acid Batteries

Our lead-acid batteries, designed for data centers, are characterized by high reliability, safety, and cost-efficiency. Meticulously engineered for the high-current, high-power application scenarios typical of data centers, our lead-acid batteries excel in resistance to high currents and over-discharge. The design life of our lead-acid batteries is up to 15 years, reducing the need for frequent replacements and maintenance.

The table below shows the technological specification of our lead-acid batteries and our key lead-acid batteries designed for data center:

Lead-acid Batteries Technological Specifications	Product Key Features
GFMHR Series  Specific technological specifications: • Power Range: 320W – 3000W • Discharge Rate: 0 – 3C	Launched in 2018, our GFMHR series is featured by its high power range and high energy density. With its power range of 320 W ~ 3000W and energy density up to 40Wh/kg, this series is specifically designed for high-current, high-power applications in the data centers.

Energy Storage Batteries for Electrical Energy Storage Settings

Our energy storage batteries for electrical energy storage settings cover both the power side and the user side. For power side, we provide both lithium-ion batteries and lead-acid batteries for generation-side and grid-side storage settings. On the generation side, our energy storage batteries can store excess energy produced during low-demand periods and release it during peak times, effectively matching electricity production with consumption. In addition, our energy storage batteries can also integrate and store the power generated by renewable energy sources, such as energy generated by wind or solar power, into the grid. On the grid side, these batteries alleviate congestion by providing additional power during high demand, preventing overload and potential outages. By adjusting the balance of supply against demand and offering backup capacity, our energy storage batteries help our customers regulate the system frequency and maintain grid functionality during emergencies.

For user side, we provide lithium-ion energy storage batteries for the user side, including commercial and residential setting. Featured by a stackable design, our batteries embody simplicity and modular flexibility to accommodate a variety of usage scenarios in commercial and residential settings. Our lithium-ion batteries include multiple protection layers, ensuring safety and reliability. In addition, our lithium-ion batteries support smart operations and maintenance, feature Bluetooth functionality, and offer real-time battery status monitoring through our application.

The table below shows the technological specification of our key lithium-ion batteries and lead-acid batteries designed for electrical energy storage settings:

Lithium-ion Batteries Technological Specifications	Product Key Features
SDC10-Box5/Box5 Pro Series  Specific technological specifications: • Cycle Life: 6000 cycles at 80% Depth of Discharge (DOD) @ 25℃ • Charge/Discharge Efficiency: 97% • Operating Temperature Range: -20℃ to 50℃ • Discharge Rate: 0.5C	Launched in 2022, our SDC10-Box5/ Box5 Pro series features high charge/ discharge efficiency, high cycle life, and high reliability. Along with its industrial aesthetic design, it also offers excellent compatibility and scalability. This series supports integration with major inverter brands, and its system capacity can be expanded up to 81kWh through parallel connections, providing extra flexibility for the energy storage needs in commercial and residential settings.
HP-S Series  Specific technological specifications: • Capacity Range: 50Ah • Cycle Life: 6000 cycles at 80% Depth of Discharge (DOD) @ 25℃ • Design Life: 15 years • Charge/Discharge Efficiency: 98% • Operating Temperature Range: -20℃ to 50℃ • Voltage Range: 307.2V – 619V • Discharge Rate: 1C	Launched in 2023, our HP-S series features high power range, high efficiency, high reliability, and high expandability. With a high energy conversion efficiency of 98%, this series is suitable for various applications such as electricity supply in household, and small scale commercial and industrial energy storage settings.

Lithium-ion Batteries

Technological Specifications	Product Key Features
Liquid-cooled Containerized Energy Storage System Specific technological specifications: • Charge/Discharge Efficiency: ≥94% • Operating Temperature Range: -30℃ to 55℃	Launched in 2023, our liquid-cooled containerized energy storage system is characterized by its high adaptability to power grids in various geographical conditions. With its broad operating temperature range, it can operate stably in high-temperature and high-humidity environments. Additionally, it can meet our customers' usage requirements at altitudes of approximately 5,000 meters. This system employs our dual protection BMS technology, which detects cell anomalies early and provides early warnings to enhance safety.

Energy Storage Batteries for Other Settings

Our energy storage batteries for other settings primarily include UPS batteries and start-stop batteries. Our UPS batteries were first launched in 2012, and are designed to provide reliable backup power during electrical outages for critical devices like computers and servers. Our start-stop batteries were first launched in 2018, and are specifically designed for vehicles with start-stop functionality. With the featured lead-carbon absorbent glass mat technology, our start-stop batteries offer high performance and long idle start-stop life up to 180,000 cycles.

The average lifespan, which is also the designed life, is 15 years for our lithium-ion batteries and lead-acid batteries. The average useful life, the period after which our customers usually will seek replacement, is eight years for lithium-ion batteries and six years for lead-acid batteries. The long lifespan and useful life do not reduce demand for our batteries, as long cycle life is one of our products' strengths and a key considerations of our customers for choosing our batteries. In addition, we continue to invest in R&D to improve the product longevity to save cost for our customers.

RESEARCH & DEVELOPMENT

Our Research and Development

The energy storage battery industry is characterized by rapid technological advances, innovation and evolving customer demands. Our competitiveness therefore significantly depends on our ability to develop innovative and advanced technologies that meet evolving customer's demands and preferences. As a global leading energy storage battery manufacturer, we rely on our in-house R&D to establish and strengthen our market position, and achieve continuous growth.

Throughout the Track Record Period, we pivot our R&D focus and resources along with the industrial trend and advancements in energy storage batteries. Adhering to the principle of ''researching one generation ahead, pilot testing the next, and mass-producing the current'', we aim to enhance the market competitiveness of both lithium-ion batteries and lead-acid batteries through our R&D efforts.

We have R&D centers located in Taizhou, Shenzhen, Beijing and Xiangyang. Our R&D centers focus on the research and development of energy storage battery technologies to improve the safety, cost-efficiency and performance of our energy storage batteries.

Certain details of our Taizhou R&D center, Shenzhen R&D center, Beijing R&D center and Xiangyang R&D center are set out as follows:

R&D Center	Major responsibilities and R&D focus
Taizhou R&D Center	Mainly focuses on: • the R&D on energy storage technology, manufacture process improvement, basic research, and production technical support for lithium-ion battery cells and lead-acid batteries; • the R&D on electrochemical energy storage batteries; • responsible for conducting pilot testing of our batteries, drafting R&D guidelines, and managing R&D projects.
Shenzhen R&D Center	Mainly focuses on the R&D of the critical components in the energy storage control systems, including BMS and EMS system.
Beijing R&D Center	Mainly focuses on the R&D of the products applied for electrical energy storage settings.
Xiangyang R&D Center	Mainly focuses on the R&D of the high-rate lithium-ion batteries and lead-acid batteries.

We place a high emphasis on R&D investment and the reserve of R&D talent. In 2022, 2023 and 2024, our research and development expenses amounted to RMB100.7 million, RMB112.8 million and RMB110.5 million, respectively. As of the Latest Practicable Date, we held a total of 337 patents, including 106 invention patents and has developed multiple core technologies and established a comprehensive technology research and development management policy.

As of December 31, 2024, our R&D team consisted of 244 employees involved in R&D functions, accounted for 11.2% of our total employees. Among our R&D personnel, approximately 24.6% of them hold a master's degree or above. In addition, our R&D team members have extensive experience in energy storage industry. During the Track Record Period, we have achieved continuous break-through in relation to energy storage battery manufacturing, successfully enhancing the safety, power density, performance stability, life cycle and adaptability of our products.

Besides invention and patents, we have also accumulated rich know-how in serving various and specific demands from customers holding leading industry position in their respective sector, which impose stringent standard on energy storage batteries supplied.

Research and Development Resources

Our technical team has actively participated in the formulation of national and industry-related standards on multiple occasions, demonstrating our strong technological credibility and influence in the industry. As of December 31, 2024, we have participated in the formulation of one international standard issued by International Electrotechnical Commission (IEC), 10 national standards and 21 industry standards issued by the Ministry of Industry and Information Technology of the People's Republic of China and the Standardization Administration of China.

In addition, we actively pursue collaborative R&D partnerships with external entities to co-develop innovative technologies and products that align with dynamic market needs. We are convinced that these strategic collaborations enrich our understanding of industry trends and cutting-edge technologies, enabling us to streamline our ongoing R&D initiatives effectively.

We work closely with leading experts in the energy storage industry and have formed an external technical expert committee, which was led by academician from the Chinese Academy of Engineering and Chinese Academy of Sciences, and jointed by more than 30 industrial expert to support and advise on our technical innovation. Through regular meetings, our technical expert committee provides us with insights into the latest scientific research and technological advancements, as well as strategic advice on our R&D focus and future market trends, enhancing our competitive advantage in innovation.

During the Track Record Period, we have established profound partnerships with leading universities, research institutions and industry expert. These collaborations have facilitated a series of projects focused on pioneering new technologies, offering crucial technical insights that underpin our future product development strategies. This integrated approach not only enhances our technological base but also strengthens our competitive edge in the market. As of the Latest Practicable Date, we have not utilized intellectual property rights co-developed with other partners in our batteries and these intellectual property rights are primarily reserved as technical assets for our further R&D and products.

For example, during the Track Record Period, we have entered into a joint development agreement with Tianmu Lake Institute of Advanced Energy Storage Technologies（天目湖先進儲能技術研究院有限公司）on the development of high-conductivity solid-state electrolytes. As of the Latest Practicable Date, the joint R&D project has completed development of the key materials, and achieved the fabrication of 100Ah solid-state lithium-ion batteries, which laid a solid foundation for our future R&D on the technology and manufacture of solid-state battery.

The major terms and content of our joint technology development agreement typically include the following:

Major terms	Content
Ownership of intellectual property rights	The new intellectual property rights and related rights and interests jointly developed by both parties shall be shared by both parties. For new intellectual property rights created by the researchers based on the joint development project at their own expenses, we would have the right of first refusal.
Confidentiality	Any information obtained during joint development shall not be disclosed to any other third party. The confidentiality obligation under the agreement shall not be affected by termination or lapse of the agreement.
Term and termination	The term of the agreements varies from 1 to 4 years.
Development progress	Each party shall inform the other one the progress in development of the relevant products.
Allocation of costs	We bear the cost of the joint development projects.

Although every joint technology agreement varies, for joint technology development agreements with external entities such as institutes and universities with industry expertise, we generally specify in the agreement as to the specific types and the specifications of the products. Such agreements are legally binding and have not been subject to material breaches during the Track Record Period.

Our Key Technology

Devoting ourselves to the continuous R&D of the latest and advanced technologies that can improve safety, cost-efficiency and performance of our batteries, we have developed a broad portfolio of key technologies that are used in our batteries to address the needs and pain points of our customers.

Battery Cell Technology

- **Activated carbon micropore protection technology.** This technology effectively improves the utilization rate of micropores in activated carbon in the manufacturing process of lithium-ion batteries, and subsequently enhances the capacitance characteristics, and improve the performance of lithium-ion batteries.

- **Triple terminal sealing technology.** This technology employs a combination of welding and adhesive sealing to ensure the reliability of terminal sealing. First, the lead sleeve of lead-acid battery is welded to the terminal post. A sealing adhesive is then applied, followed by a marking adhesive after curing. This technology ensures terminal seal is safe and improves the reliability of our lead-acid batteries.

- **Corrosion-resistant grid and alloy technology.** This technology enhances the uniformity of current distribution and improves the corrosion resistance lifespan of the grid plate. By reducing the corrosion rate of the grid plate and constructing a uniform current transmission network, it greatly improves the cycle life of our batteries and reduced cost for our customers.

- **Electrode group winding technology.** This technology improves the shock-resistant, fast-charging capabilities, and performance of our batteries.

- **Continuous grid plate preparation technology.** This technology uses highly corrosion-resistant alloys. The cathode grid plate is manufactured through continuous rolling and punching, resulting in a denser crystal structure and superior corrosion resistance compared to traditional gravity casting. The anode grid plate uses continuous casting, increasing production efficiency by three times over gravity casting. Additionally, a continuous coating process with film coating technology effectively addresses the issue of coating dust.

Integration/Application-related

- **5G telecom power supply technology.** This technology enables wireless connection from our lithium-ion battery to the telecom base station management platform, and it also facilitates the nearfield Bluetooth connections with handheld devices, allows for real-time monitoring of the power supply and operation status of the battery.

- **Liquid-cooling energy storage technology.** This technology employs efficient thermal management capabilities and intelligent control, to more evenly dissipate the heat generated by the batteries, ensuring that the lithium-ion battery operates within the optimal temperature range. Together with the digital and intelligent management system that can monitor key parameters of battery status and ambient temperature in real-time, this technology greatly improves the safety and maintainability of our batteries.

- **Dual Protection BMS technology.** This technology employs dual-channel and dual protection mechanisms to monitor the battery's status and connects the BMS with a circuit breaker to prevent potential hazards such as overcharging, over-discharging, and overheating. It prevents thermal runaway risks in the event of a protection function failure, reducing the overcharge safety risk and improving the safety of the battery system.

New Batteries

- **High-performance sodium-ion battery.** For sodium-ion battery, we employ surface coating, doping, and passivation treatments for active materials to develop high-capacity, highly stable battery active materials. With pre-fabrication technology for artificial SEI (Solid Electrolyte Interphase) films on electrode surfaces, this materials greatly enhance the compatibility of active materials with electrolytes and the stability of electrode interfaces, and improve the safety and performance of the sodium-ion battery.

- **High-safety long-lifespan solid-state Battery**. For solid-state battery, we develop composite solid electrolyte materials featuring high ionic conductivity, a wide electrochemical window, and high ion transference numbers. We also develop an in-situ preparation technology for solid electrolytes induced by thermal and chemical methods, which achieves perfect compatibility with the existing lithium battery industrial systems, and surface modification technologies for active materials and electrodes, which enhances the stability of electrode interfaces and reducing interface impedance.

Our Key R&D Projects

In addition to dedicating our R&D resources to improving the performance and production of our existing products, we have also been investing in R&D projects of the next generation of products and materials, which we consider crucial for us to maintain our leading industry position and achieve sustainable development.

The table below illustrates our key R&D programs, and key features:

No.	Product	Key Features
1	Lithium-ion battery cell R&D project	The project focuses on introducing suitable materials and optimizing the production process to enhance the energy density and cost efficiency of individual battery cells, improve product performance, and increase overall cost-effectiveness.
2	Lithium-ion battery communication system	This system adopts flat cell design, high-energy-density cell configuration, long-lifespan cell design, and a standardized BMS interface, and supports optional features such as antitheft modules, protocol matching, and fire protection modules, enhancing and optimizing its functionality.
3	BMS	The new generation of BMS is capable to intelligently manage and maintain each battery cell, monitor the operation status, and prevent overcharging and over-discharging to extend the battery's lifespan.
4	Data center standardized lithium-ion batteries	The standardized lithium-ion batteries aim to address the demand of our customers from domestic and overseas markets by developing a series of batteries with standardized specifications, such as 10-minute and 15-minute backup power scenarios.
5	Liquid-cooled container energy storage system	The liquid-cooled container energy storage system uses various high-capacity, safe lithium-ion batteries. It features an intelligent liquid cooling design, enhanced level of system integration and high energy density. It improves space use efficiency and the economic viability of the energy storage system.
6	High-Rate sodium-ion cells	The high-rate sodium-ion batteries can support a 10C discharge rate and exhibit excellent low-temperature performance, capable of discharging at -30°C.

No.	Product	Key Features
7	100Ah Aluminum-cased solid state battery	The solid state battery has the advantage of superior safety, higher energy efficiency and longer product life.
8	High energy density lead-acid battery	This product is featured by longer cycle life, higher energy density and enhance cost-efficiency.

MANUFACTURING AND PRODUCTION

Production Site

Capitalizing on our rich industry experience and advanced production techniques, we have established three operating production plants featuring premium manufacture equipment, highly automated procedures, stringent quality control and ESG compliance standards.

The table below sets out production volume, production capacity and utilization rate of our products of our production sites for the years/periods indicated:

		Year Ended December 31,								
		2022			2023			2024		
		Production Volume *GWh*	Production Capacity[(1)] *GWh*	Utilization Rate[(2)] *%*	Production Volume *GWh*	Production Capacity[(1)] *GWh*	Utilization Rate[(2)] *%*	Production Volume *GWh*	Production Capacity[(1)] *GWh*	Utilization Rate[(2)] *%*
Lithium-ion batteries	**Plants location**									
Front Plant	Taizhou	1.13	1.58	71.5	1.41	2.17	65.0	1.43	2.13	67.1
Lead-acid batteries										
Taizhou Plant	Taizhou	3.73	5.00	74.6	3.32	5.00	66.4	4.25	5.00	85.0
Runyoung Plant	Xiangyang	1.34	1.25	107.2[(3)]	1.30	1.62	80.2	1.62	1.62	99.9
Subtotal of lead-acid batteries		**5.07**	**6.25**	**81.1**	**4.62**	**6.62**	**69.8**	**5.87**	**6.62**	**88.7**

Notes:

(1) Production capacity is based on the optimal hourly production rate of various machines operating 16 hours a day for operating 360 days for a year (not including time spent on production line upgrade or adjustment).

(2) Utilization rate is calculated as dividing production volume by the production capacity for the same year.

(3) Our Runyoung Plant recorded a utilization rate more than 100% in 2022 because we operated our plant for more than 16 hours a day to meet the increased market demand for our lead-acid batteries.

Front Plant

Our Front Plant in Jiangsu is situated on a site that spans approximately 126.8 thousand sq.m. The plant is primarily focused on manufacturing lithium-ion batteries. In 2023, our Front Plant was rewarded as the Provincial Industrial Internet Demonstration Project (Benchmark Factory Category) by Jiangsu Provincial Department of Industry and Information Technology.

Taizhou Plant

Our Taizhou Plant in Jiangsu spans an area of approximately 338.7 thousand sq.m.. It broke ground and started commercial production in 2012. It focuses on producing the lead-acid batteries applied for telecom base stations and data centers. With the continuous introduction of premium manufacturing equipment and facilities, and fully automated assembly lines, our Taizhou plant is at the forefront of the industry with advanced process technology and high production efficiency.

Runyoung Plant

Our Runyoung Plant in Xiangyang, Hubei, is situated on a site that spans approximately 222.3 thousand sq.m. The plant is our main production facility for manufacturing lead-acid batteries and has been awarded the National Green Factory honor by the Ministry of Industry and Information Technology of the People's Republic of China in 2022.

Xiangyang Plant

Our Xiangyang Plant in Hubei covers an area of approximately 73.6 thousand sq.m.. It broke ground in May 2023, commenced production in late 2024 and is currently in the ramp-up phase. Its designed production capacity is 2.5GWh. The plant is expected to primarily focus on manufacturing lithium-ion batteries for commercial and residential settings. It is characterized by a high degree of automation, advanced production equipment, an intelligent monitoring system and high green energy efficiency.

Production Equipment

We procure our production equipment from reputable suppliers from China and overseas. The equipment used in our productions were either (i) standard machineries and equipment which are readily available on the market, or (ii) tailor-made equipment produced based on the designs or specific requirement we provided to the equipment suppliers.

During the Track Record Period, we have not encountered any delay in equipment delivery, or suspension or malfunction of our equipment, that caused material and adverse impact to our business operations.

The following table describes our main production equipment for lithium-ion batteries.

Equipment	Function/Usage	Country of Origin
Mixing machine	It uses a high-speed dispersion vacuum stirring process to mix the raw materials into a slurry.	China
Coating machine	It coats the positive and negative electrode slurry onto the current collector evenly.	China
Roller machine	It presses the coated coil to a set thickness, ensuring the coating on the current collector surface makes closer contact.	China
Laser die-cutting machine	It uses laser to cut the edges of the coil into pole lugs.	China
Automatic winder	It interleaves the positive and negative coil and diaphragm into a roll core.	China
High-speed automatic assembling line	It assembles the roll core with the tabs, cover plates, aluminum casing, and other structural components to form the battery cell.	China
Liquid injection machine	It injects the electrolyte into the battery cell.	China

The following table describes our main production equipment for lead-acid batteries.

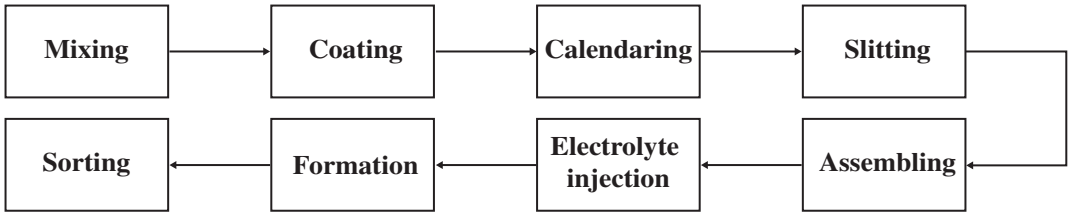
Equipment	Function/Usage	Country of Origin
Lead-carbon lead strip machine	It casts lead alloy into formed lead strips according to process requirements.	Italy
Punching machine	It punches the formed lead strips into grid plates.	U.S.A/China
Continuous casting and coating production line	It melt the lead alloy and transport to the continuous casting mold via a specialized lead pump, enabling continuous production of grid plates.	U.S.A/China
Lead powder machine	Formed lead ingots are processed through cold cutting and grinding to produce lead powder	China
Vacuum paste mixer	It mixes raw materials in a specific ratio and then blended into a slurry using a high-speed dispersion vacuum mixing process.	China
Vacuum acid filling machine	Uses a vacuum method to inject the electrolyte into the battery.	Germany/China

Our major production equipment and machinery have an estimated average useful lives of 10 years and are depreciated at an average annual rate of 9.5%. Depreciation is calculated on a straight-line basis over its estimated useful life. As of December 31, 2024, the remaining useful life of our major equipment and machinery for manufacturing lithium-ion batteries and lead-acid batteries is 33 to 120 months. We regularly inspect and maintain our production equipment and machinery, as well as replace consumable parts and components subject to their wear and tear conditions.

Manufacturing Procedures

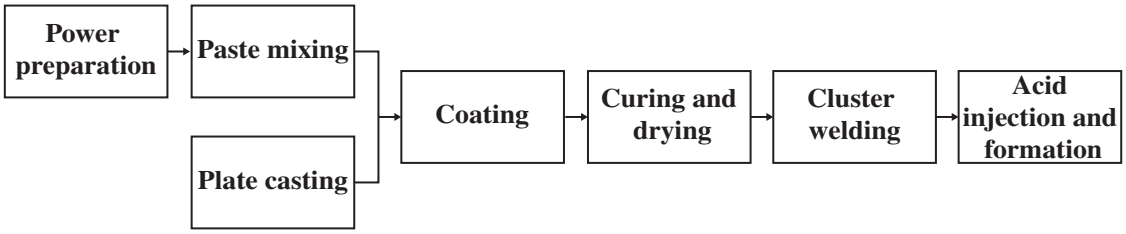
Adhering to the lean production philosophy, we implement a comprehensive control process and make efforts to ensure that our manufacturing procedures for lithium-ion batteries and lead-acid batteries meet high standards of quality, and achieve cost reduction and high efficiency at the same time, catering to the demanding needs of our customers. The production cycle for our lithium-ion battery is 11 days, and 15 days for our lead-acid battery.

Lithium-ion Batteries



No.	Process Name	Process Description
1	Mixing	Mix the positive and negative active materials, conductive agent, binder, and solvent uniformly to form a slurry.
2	Coating	Coat the slurry uniformly onto the current collector according to process requirements, and evaporate the solvent from the slurry to form the positive electrode roll.
3	Calendaring	Compact the positive and negative electrode sheets to ensure closer bonding between the components of the electrodes.
4	Slitting	Cut the wide electrode rolls, after coating and roll pressing, into the required width according to process specifications.
5	Assembling	Assemble the positive electrode, negative electrode, separator, and casing into a dry cell.
6	Electrolyte injection	Inject the electrolyte into the dry cell.
7	Formation	Charge the cell to activate it.
8	Sorting	Sort the cells based on their performance data to ensure uniformity in usage.

Lead-acid Batteries



No.	Process Name	Process Description
1	Power preparation	Processing lead ingots into powdered lead.
2	Paste mixing	Mix lead powder, water, sulfuric acid, and additives, stirring them to form a uniform mixture of lead paste.
3	Plate casting	Cast lead alloy into a grid structure with specific strength and shape, make it capable of supporting active material and conducting electricity.
4	Coating	Evenly apply the prepared lead paste (active material) onto the grid.
5	Curing and drying	Cure and dry the plates under specific temperature and humidity conditions.
6	Cluster welding	Melt lead to fuse the positive and negative plates together at the lugs.
7	Acid injection and formation	Inject sulfuric acid electrolyte into the semi-finished battery, then perform formation charging and discharging to activate and charge the battery.

QUALITY CONTROL

Our Quality Control Department

We perform quality control, inspection, testing, identifying defects and irregularities throughout all stages in our production process. Our employees follow our quality control protocols to control and monitor each stage of our operating process, including procurement of components and raw materials, production, and inspection of finished products, to ensure product quality. During the Track Record Period and as of the Latest Practicable Date, there were no material safety issues in relation to our product quality. As of December 31, 2024, we had 64 employees responsible for quality management. Our quality control department is responsible for:

- oversight of the operation management of our company and subsidiaries;

- quality feedback evaluation and the tracing and handling of quality issues;
- the management of the test center and metrology system and process;
- the entire quality control process on the products;
- quality control of our suppliers;
- management and acquisition of product qualifications and certificates; and
- management and implementation of constructing projects.

Wei Wang, the director of our quality control department, has over 17 years of work experience in the field of quality control field within energy storage battery industry. He is a Six Sigma Black Belt and also a member of the 10th Council of the Jiangsu Applied Statistics Association, and the "Chief Quality Officer" of Jiangyan District enterprises.

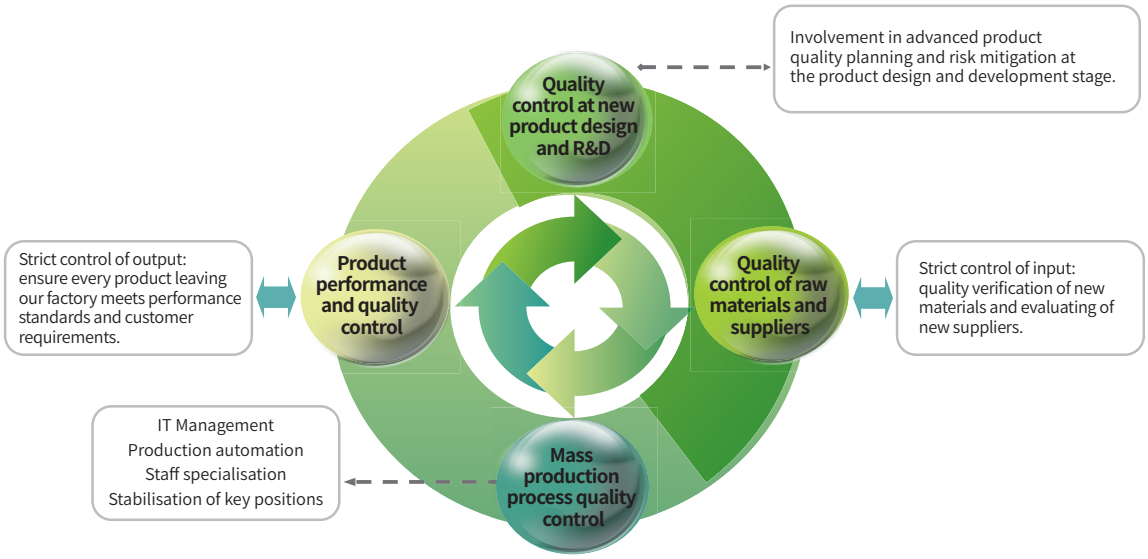
During the Track Record Period and up to the Latest Practicable Date, (i) we had not received any material complaints or product liability claims relating to product quality; (ii) we had not received any material product returns from our customers, or (iii) we had not experienced any product recalls or fatal accidents due to product defects.

Our Quality Control System

We are dedicated to delivering products of exceptional quality and reliability, continuously striving to enhance customer satisfaction. Our commitment to continuous improvement strengthens our company's core competitiveness. We have established a comprehensive quality control system that complies with relevant national and international standards, covering supplier quality management, incoming material quality management, manufacture process quality management, shipping quality management, and post-sale quality management to ensure the consistency of our high product quality.

We have managed our suppliers and the procurement process on the basis of a series of supplier management internal control systems and criteria formulated by us. For details, see "— Suppliers — Procurement Arrangement" in this section.

We have established our product safety and quality management system to implement the safety review, precise monitoring and early warning in all aspects of our new product projects commencing from design to mass production and user consumption. The flow chart of our quality control system is as follows:



Leveraging IT tools such as ERP (Enterprise Resource Planning), MES (Manufacturing Execution System) and OA system, we have developed a data-driven quality control platform. By intelligently processing data and utilizing analysis and mining technologies across sales, production, procurement, and quality control, the MES system enables more efficient decision-making and effective management. During the production process, the ERP system exchanges data with equipment, records manufacturing process data in the database, traces data from production planning to shipment, and controls production quality. The OA system helps to standardize the quality control procedure and manage non-conforming products, new product development, quality reviews, and testing through streamlined workflows. By integrating our quality control protocols and information technology, we enable real-time monitoring, scientific analysis, and enhanced decision-making in plant quality management.

Committed to building digital and intelligent plants, we utilize various technologies to automate management and production processes. We believe this would standardize and streamline the production management, reduce errors, plug loopholes, increase efficiency, and provide decision-making support.

Complementing our meticulously designed quality control system, we have also been installed and are operating advanced production and testing equipment to ensure the highest standards of product quality. We operates a CNAS-accredited testing center with various specialized labs, including chemical analysis, precision testing, environmental adaptation, reliability, system integration for energy storage. The testing center is capable of comprehensive testing from raw material analysis to performance testing of semi-finished and finished products.

We have a dedicated team responsible for overseeing our quality control processes. They work collaboratively with our customer service teams to provide timely support and after-sale services. Through their combined efforts, we are able to confirm and evaluate customer requirements before sales, monitor and safeguard the fulfillment process during sales, and gathering customer feedback after sales.

This integrated approach allows us to maintain high standards of customer satisfaction and product quality.

Our Quality Accreditations

Our relentless efforts in quality control earned us various authoritative international and domestic certifications, including:

System Certifications

- ISO 9001 Quality Management System certification
- QC 080000 Hazardous Substance Process Management System certification
- ISO 14001 Environmental Management System certification
- ISO 45001 Occupational Health and Safety Management System certification
- ISO 50001 Energy Management System certification
- ISO 10012 Measurement Management System certification

Lithium Batteries

- International certification: UN38.3 certification, CE-EMC certification, UL1973 certification, IEC62619 certification, IEC62620 certification, RoHS certification, UKCA certification, the VDE certification, TÜV Certification, UL 9540A certification
- China's mandatory inspection certification (GB/T36276), China Classification Society (CCS) Certification

Lead-acid Batteries

- International certification: TLC Product Certification, CE-EMC certification, UL1989 certification, IEC60896 certification
- China Classification Society (CCS) Certification, China Railway Inspection and Certification (CRCC), NM-450 CRCC Product Certification

SALES, MARKETING AND CUSTOMERS

Our Sales and Service Network

We have an extensive global sales and service network and dedicated sales teams to serve our customers globally. As of December 31, 2024, our sales and service network consisted of our headquarters, and 29 service outlets across various provinces and regions in China, and five oversea subsidiaries in U.S., Singapore and Malaysia. In addition, upon customer's request, we dispatch sales and technical experts to cover countries such as Uzbekistan, the Philippines, South Africa, Mexico, Italy, Indonesia, Thailand, the United Arab Emirates and Ethiopia.

As of December 31, 2024, we had 259 employees in sales and marketing, focusing on business development, customer service, brand promotion, and industry coverage.

Through our sales and service network, we have dedicated personnel responsible for each of our lithium batteries and lead-acid batteries sold in domestic and overseas market. Our sales and market teams regularly contact our existing and potential customers about our current products and development plans, and gather feedbacks from customers on our products to gain more insight about needs of our customers and future market trends.

The following table sets forth a breakdown of our revenues by region for the year and periods indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Mainland China	3,394,555	83.4	3,330,829	78.2	3,608,974	80.2
Overseas	677,925	16.6	928,948	21.8	889,548	19.8
Total	**4,072,480**	**100.0**	**4,259,777**	**100.0**	**4,498,522**	**100.0**

Compared to the local suppliers, we boast strong technological advantages in producing energy storage batteries that excel in safety, cost and performance. In terms of performance, our energy storage batteries for telecom base stations can operate within a temperature range of -45°C to 75°C, compared to an average industry temperature range of -30°C to 60°C. In addition, leveraging our strong technology capability to control costs and reduce waste during the production, as well as our advanced logistic management capacity, we also keep a cost advantage compared to the local and global suppliers. With our stronger manufacturing capacity and precise production methods, we achieved a product pass-through rate of 92.5%, higher than the industry average. The production cycle of our lithium-ion battery production cycle is only 11 days, and our lead-acid battery production cycle is just 15 days, both of which are industry leading benchmarks. Capitalizing on such competitive edge, we are able to offer energy storage batteries with superior performance and cost-effectiveness, and at the same time to adopt a dynamic pricing strategy allowing us to set favorable prices for customers or regions that we deem have strategic value while maintaining reasonable profit margin. At the same time, our oversea sales and service

network enables us to capture the oversea market demand for energy storage batteries and provide timely and comprehensive services to our oversea customers. During the Track Record Period, we have expanded our oversea markets and our overseas sales accounted for 16.6%, 21.8%, and 19.8% of our total revenues in 2022, 2023, and 2024, respectively. Our market share in telecom and data center energy storage is higher than the that of the local suppliers. According to Frost & Sullivan, in 2023, we ranked the first among global telecom base station and data center energy storage battery providers in terms of shipment volume, achieving a market share of 10.4%.

Among our oversea sales, we primarily sold our batteries to Europe, Southeast Asia, and Africa, including countries such as Sweden, Norway, Indonesia, Vietnam, India and South Africa. Our major oversea customers are primarily international telecom operators and equipment manufacturers, such as Ericsson, Telenor and Nokia. We primarily procured our oversea customers through direct negotiation.

The following table sets forth a breakdown of revenues by regions and major country for the year and period indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Mainland China	3,394,555	83.4	3,330,829	78.2	3,608,974	80.2
Asia Pacific excluding mainland China						
Malaysia	8,284	0.2	10,217	0.2	98,553	2.2
Indonesia	55,310	1.4	37,668	0.9	91,481	2.0
India	792	0.0	135,746	3.2	80,603	1.8
Vietnam	65,894	1.6	88,106	2.1	70,199	1.6
Others[1]	55,547	1.4	74,896	1.8	70,712	1.5
Subtotal	**185,827**	**4.6**	**346,633**	**8.1**	**411,548**	**9.1**
EMEA						
Sweden	186,915	4.6	125,100	2.9	120,375	2.7
Norway	32,444	0.8	89,001	2.1	75,770	1.7
Egypt	7,628	0.2	29,305	0.7	26,585	0.6
South Africa	46,364	1.1	42,814	1.0	20,291	0.5
Finland	81,162	2.0	61,422	1.4	17,520	0.4
Others[2]	81,093	2.0	166,149	3.9	134,867	2.9
Subtotal	**435,606**	**10.7**	**513,791**	**12.1**	**395,408**	**8.8**
Other Regions						
Brazil	24,406	0.6	33,167	0.8	47,610	1.1
Guatemala	10,381	0.2	7,103	0.2	10,210	0.2
Others[3]	21,705	0.5	28,254	0.7	24,772	0.6
Subtotal	**56,492**	**1.3**	**68,524**	**1.7**	**82,592**	**1.9**
Total	**4,072,480**	**100.0**	**4,259,777**	**100.0**	**4,498,522**	**100.0**

Notes:

(1) mainly include Hong Kong SAR, Pakistan and Kazakhstan, and Singapore.

(2) mainly include UAE, Romania, and Mauritius.

(3) mainly include Peru, Mexico, Uruguay and Colombia.

The revenue generated from our oversea sales increased from RMB677.9 million in 2022 to RMB928.9 million in 2023, primarily due to our continuous effort to expand our oversea sales and global presence. Our revenue generated from our oversea sales decreased from RMB928.9 million in 2023 to RMB889.5 million in 2024, mainly due to the decrease in revenue generated from EMEA as our customer demand in EMEA was gradually stabilized. Our revenue generated from Asia Pacific excluding mainland China increased from RMB346.6 million in 2023 to RMB411.5 million in 2024, mainly due to our business expansion in Southeast Asia, especially Indonesia, and Malaysia.

In 2023, the total added installed capacity for energy storage batteries in Asia Pacific (excluding mainland China) reached 20.3 GWh. We achieved a shipment volume of 0.4 GWh in Asia Pacific (excluding mainland China), with the market share of 1.9%.

In 2023, the total added installed capacity for energy storage batteries in EMEA (Europe, Middle East and Africa) region reached 31.9 GWh. We achieved a shipment volume of 0.5 GWh in EMEA region, with the market share of 1.6%.

After our oversea customers initiate and place an purchase order, we will confirm the order within certain period of time. After confirming the details of the purchase order, we generally will ship our batteries by Free Carrier (FCA) or Delivery at Place (DAP) in accordance with INCOTEMS 2010, or other shipping terms agreed by our customers in the contracts. Our customers shall make payment within certain period after the receipt of an undisputed invoice. During the Track Record Period, the products we sold oversea were primarily lithium-ion and lead-acid batteries for telecom base station and electrical energy storage settings.

Sales and Distribution

During the Track Record Period, we primarily sold directly to end customers in China and abroad. To expand the geographic coverage and consumer reach of our products, we complement our direct sales with distribution network. As of December 31, 2022, 2023 and 2024, we had 124, 114 and 106 distributors, respectively, which contributed to 10.4%, 13.8%, and 7.2% of our total revenues in 2022, 2023 and 2024, respectively. The revenues from the sales of energy storage batteries, including distributors and direct sales, is recognized when control of the goods is transferred at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods.

The table below sets forth our revenues by geographic region and sales channel for the period indicated.

	Year Ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Domestic						
Direct Sales	3,126,517	76.8	2,983,933	70.0	3,532,599	78.5
Distributor	268,038	6.6	346,896	8.2	76,374	1.7
Subtotal	3,394,555	83.4	3,330,829	78.2	3,608,973	80.2
Overseas						
Direct Sales	524,473	12.8	685,460	16.1	641,387	14.3
Distributor	153,452	3.8	243,488	5.7	248,162	5.5
Subtotal	677,925	16.6	928,948	21.8	889,549	19.8
Total	**4,072,480**	**100.0**	**4,259,777**	**100.0**	**4,498,522**	**100.0**

The table below sets out the total number of distributors and their movements for the period indicated:

	Year ended December 31,		
	2022	2023	2024
Number of distributors at the beginning of the period	134	124	114
Number of new distributors for the period[(1)]	59	51	48
Number of terminated distributors for the period[(2)]	69	61	55
Net increase/(decrease) in number of distributors for the period	(10)	(10)	(7)
Number of distributors at the end of the period	124	114	106

Notes:

(1) The number of new distributors represents those distributors from whom we recognize revenues for the year indicated but no revenues recognized for the financial year immediately preceding the year indicated.

(2) The number of terminated distributors represents those distributors from whom we did not recognize revenues for the year indicated but have revenues recognized for the financial year immediately preceding the year indicated.

(3) Based on our definitions of new distributors and terminated distributors, the fluctuation in the number of distributors was mainly due to the time when our distributors procured from us and the amount are recognized as revenue. As we maintain a buyer-seller relationship, rather than a principal-agent relationship with our distributors, our distributors place purchase orders from us based on their demand of our batteries in each year or period, which, under our definition, may classify them into new or terminated distributors.

During the Track Record Period, to the best of our Directors' knowledge, all of our distributors were Independent Third Parties, and none were controlled by our current or former employees.

We maintain a buyer-seller relationship with our distributors. During the Track Record Period, we mainly engaged distributors to support our business expansion, as we strived to enlarge our sales network coverage to provide our batteries to more consumers. According to Frost & Sullivan, our use of distributors is in line with the industry norm. We value the management of our distributors, and maintain a good cooperative relationship with them. We set up policy on management of distributors, according to which, we select our distributors based on a number of factors, including their track record, sales experience, and reputation, among others. We also regularly evaluate our distributors on the basis of their sales performance and channel development ability.

We believe the risk of channel stuffing is remote in our distribution network. We generally require full payment from distributors within 60 days of the shipment of our products. We generally do not allow returns of products sold to distributors, except for defective products. According to Frost & Sullivan, our good return policy with distributors is in line with the industry practice.

We entered into distribution agreement with certain distributors, while other distributors mainly place purchase orders from us from time to time. Our distribution agreement typically includes the following terms:

Major terms	Content
Duration	Typically one year
Payment and credit terms	We generally require our distributor make full payment within 60 days since shipment.
Minimum purchase amount	We may specify an indicated minimum purchase amount in the distribution agreements.
Pricing	We specify the price of each type of products provided to customers in each purchase orders under the distribution agreement, including unit price and total price.
Appointment of sub-distributors	We generally do not allow our distributors to engage any sub-distributor without our consent. The distributor shall get our approval for the sale and the selling price to sub-distributor.
Delivery term	Generally we bear the costs and risks associated with bringing the goods to the named place of destination. This includes transport, insurance, and any other costs up to the point of delivery at the specified place.

Major terms	Content
Termination	Each party has the right to terminate the agreement if the other party breaches the distribution agreement.
Warranty and return policy	We usually offer a warranty period of 36 months. We bear the cost of product return or replacement in case of defective products.

Marketing

Leveraging our broad product portfolio featuring various technological specifications designed to serve diverse application scenarios and stringent customers' demands, as well as our rich industry experience and technological capability to capture and solve evolving practical challenges that our customers may encounter in their energy storage needs, we have established and retained long-term relationship with customers with leading industry positions in China and overseas.

As our marketing strategy and effort, we provide our potential customers comprehensive and tailored advisory and analysis for their energy storage needs. Typically, our marketing team will provide:

- ***Technical Consultation:*** Our sales and marketing team offers expert technical consultation to address potential customer's inquires and provide insights into our batteries, helping our potential customers understand the technological specifications and application of our energy storage batteries.

- ***Energy Storage Plan Design***: Based on the specific energy storage needs and actual application scenarios of our potential customers, our sales and marketing team will help to design tailored and comprehensive energy storage plans, including advising the most suitable product type to use, quantity of batteries needed and the way of installation and arrangement of batteries. Our designs ensure each potential customer's energy storage needs are addressed with the optimal efficiency and the most suitable products.

- ***Product Demonstration***: we also provide product demonstration tailored to our potential customers' need, showcasing the specific features and technological advancement of our batteries. These demonstrations help our potential customers gain a comprehensive understanding of our products and how they can be integrated into their operations to achieve their energy storage plans.

- ***Prototype Testing:*** To facilitate the decision-making process of our potential customers, our sales and marketing team will also offer prototype testing of our products, ensuring they choose the most suitable batteries for their energy storage needs.

In addition, to further advertise and promote our products, we frequently attend and present at various industry conferences and exhibitions around the world to both keep abreast of recent industry trends and showcase our product's competitiveness in marketing events. For example, in 2024, we were invited to the Intersolar Europe 2024 Exhibition in Germany and the Middle East Energy Conference in Dubai, and co-hosted the ESIE 2024 Conference & Expo(儲能國際峰會暨展覽會), where we launched our new products and gave a lecture on current technological focuses. In 2023, we attended the IDCC 2023 (2023年度中國年度大會), where we were invited to deliver a keynote speech and were granted the 2023 China IDC Industry Innovation Technology Product Award (2023年度IDC產業創新技術產品獎).

Our Customers

During the Track Record Period, we primarily sold our batteries to customers in China. In 2022, 2023 and 2024, our five largest customers in each year during the Track Record Period contributed 54.2%, 46.1%, and 38.4%, respectively, to our total revenues in the same year. In addition, our single largest customer in each year during the Track Record Period contributed 24.3%, 21.3%, and 13.1%, respectively, to our total revenues in the same year. Except for Customer E, whom we procured through direct negotiation, we became acquainted with and secured sales from each of our major customers through a public tender process.

The following tables set forth the details of our five largest customers for each year during the Track Record Period.

For the Year ended December 31, 2024

Customers	Sales Amount	Percentage of total Sales	Company background	Commencement of Business Relationship	Credit Term	Payment Method	Products sold by our Group	Registered capital/ Issued share capital	Registered place
	RMB'000								
Customer A	589,642	13.1%	One of the largest telecommunication companies in the world, listed on the Hong Kong Stock Exchange	2015	30 days	Bank transfer	Lithium-ion batteries/lead-acid batteries	RMB17.6 billion	Beijing
Customer B	417,539	9.3%	One of the largest telecommunication companies in the world, listed on the Hong Kong Stock Exchange	2013	30 days	Bank transfer/ check	Lithium-ion batteries/lead-acid batteries	RMB213 billion	Beijing
Customer C	363,914	8.1%	One of the largest telecommunication companies in the world	2013	30 days	Bank transfer	Lithium-ion batteries/lead-acid batteries	RMB300 billion	Beijing
Customer D	200,543	4.5%	One of the world's largest e-commerce and technology companies	2019	30 days	Bank transfer	Lead-acid batteries	US$155 million	Hangzhou
Customer E	151,617	3.4%	A leading multinational networking and telecommunication company	2020	120 days	Bank transfer	Lithium-ion batteries	SEK16,720.8 million	Stockholm

For the Year ended December 31, 2023

Customers	Sales Amount	Percentage of total Sales	Company background	Commencement of Business Relationship	Credit Term	Payment Method	Products sold by our Group	Registered capital/ Issued share capital	Registered place
	RMB'000								
Customer A	907,533	21.3%	One of the largest telecommunication companies in the world, listed on the Hong Kong Stock Exchange	2015	30 days	Bank transfer	Lithium-ion batteries/lead-acid batteries	RMB17.6 billion	Beijing
Customer C	359,069	8.4%	One of the largest telecommunication companies in the world	2013	30 days	Bank transfer	Lithium-ion batteries/lead-acid batteries	RMB300 billion	Beijing
Customer B	303,711	7.1%	One of the largest telecommunication companies in the world, listed on the Hong Kong Stock Exchange	2013	30 days	Bank transfer/ check	Lithium-ion batteries/lead-acid batteries	RMB213 billion	Beijing
Customer F	237,583	5.6%	One of the largest international trading companies in China, specializing in building materials and construction products	2020	60 days	Bank transfer/ Bank acceptance	Lithium-ion batteries/lead-acid batteries	RMB300.95 million	Beijing
Customer G	156,617	3.7%	One of the largest telecommunication companies in the world	2013	15-30 days	Bank transfer	Lithium-ion batteries/lead-acid batteries	RMB31.0 billion	Beijing

For the Year ended December 31, 2022

Customers	Sales Amount	Percentage of total Sales	Company background	Commencement of Business Relationship	Credit Term	Payment Method	Products sold by our Group	Registered capital/ Issued share capital	Registered place
	RMB'000								
Customer A	990,257	24.3%	One of the largest telecommunication companies in the world, listed on the Hong Kong Stock Exchange	2015	30 days	Bank transfer	Lithium-ion batteries/lead-acid batteries	RMB17.6 billion	Beijing
Customer C	405,576	10.0%	One of the largest telecommunication companies in the world	2013	30-90 days	Bank transfer	Lithium-ion batteries/lead-acid batteries	RMB300 billion	Beijing
Customer B	314,113	7.7%	One of the largest telecommunication companies in the world, listed on the Hong Kong Stock Exchange	2013	30 days	Bank transfer/ check	Lithium-ion batteries/lead-acid batteries	RMB213 billion	Beijing
Customer G	288,709	7.1%	One of the largest telecommunication companies in the world	2013	15-30 days	Bank transfer	Lithium-ion batteries/lead-acid batteries	RMB31.0 billion	Beijing
Customer E	211,380	5.2%	A leading multinational networking and telecommunication company	2020	120 days	Bank transfer	Lithium-ion batteries	SEK16,720.8 million	Stockholm

As of the Latest Practicable Date, none of our Directors, their close associates or any of our Shareholder which to the best knowledge of our Directors owned more than 5% of the issued share capital of our Company, had any interest in our five largest customers in each year during the Track Record Period. To the best knowledge of our Directors, each of our five largest customers in each year during the Track Record Period was an Independent Third Party.

Customer Concentration

In 2022, 2023 and 2024, our five largest customers accounted for approximately 54.2%, 46.1% and 38.4% of our total revenues, respectively.

Customer A accounted for RMB990.3 million, RMB907.5 million and RMB589.6 million of our total revenues, respectively, during the same year, accounting for approximately 24.3%, 21.3% and 13.1% of our total revenues, respectively, while Customer C accounted for RMB405.6 million, RMB359.1 million and RMB363.9 million, representing approximately 10.0%, 8.4% and 8.1% of our revenues, respectively.

As confirmed by Frost & Sullivan, having such a level of concentration is common in the energy storage batteries market due to the high concentration of market players in the telecommunication industry and data center industry. The high concentration of industries of our end customers naturally led to situations where energy storage batteries manufacturers have high concentration in sales.

Our Directors are of the view that despite the concentration of revenues from Customer A and Customer C, the sustainable growth of our business will not be materially affected as our relationship with the relevant customers is unlikely to experience a material adverse change or termination. With our long-term commitment to providing superior products and customer services, we have been the only energy storage battery company to receive Excellent Supplier (A-Level) award from Customer C for four consecutive years of 2021 to 2024, and are awarded the Class I Collaborative Supplier by Customer A in 2023.

Our Customers' Selection on Suppliers

The major customers of our energy storage batteries used for telecom base stations are leading telecom operators and equipment manufacturers, including China Mobile, China Unicom, China Telecom, China Tower, Ericsson, Vodafone and Telenor. The major customers of our energy storage batteries used for data centers are data center operators, such as Alibaba, JD.com, Baidu, Chindata, and GDS. The major customers of our energy storage batteries used for electrical energy storage settings are power stations, power grids, commercial and household users.

As leading enterprises in their industries, our major customers have comprehensive, stringent and relative high requirements for selecting their suppliers. In the tender process, we, as supplier, are evaluated on various dimensions of parameters, including our business scale, technological capacity, product quality and certifications, sales and customers service quality, ESG, compliance with national standards and other requirements.

The following table sets forth the revenue breakdown by projects obtained from tenders and direct negotiations and the percentage to the total revenues during the Track Record Period:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Projects obtained from direct negotiations	1,700,225	41.7	1,749,392	41.1	1,725,385	38.4
Projects obtained from tenders	2,372,255	58.3	2,510,385	58.9	2,773,137	61.6
Total	**4,072,480**	**100.0**	**4,259,777**	**100.0**	**4,498,522**	**100.0**

Our tender success rates in 2022, 2023 and 2024 were approximately 34.8%, 38.0% and 39.5%, respectively.

During the term of our framework agreement with our major customers, our major customers may conduct on-site factory inspection and evaluate our production facilities, equipment and quality control system. If any non-conformities are identified by customers, corrective actions are mandated, and follow-up audits are conducted to ensure issues are resolved satisfactorily. When the framework agreement expires, we will be reevaluated based on the similar parameters and the customers will determine whether to continue cooperation with us based on the evaluation results.

With our strong technological capacity, advanced manufacturing equipment and process, premium product quality, extensive customer service network and high customer service quality, during the Track Record Period, we have successfully reached these requirements on suppliers and maintained relationship with our major customers.

In addition, we have received several awards from our customer in recognition of our premium products and service:

- For four consecutive years of 2021 to 2024, we have been the only energy storage battery company to receive China Mobile's Tier-1 Excellent Supplier (A-Level) award.
- We are awarded the Class I Collaborative Supplier accolade by China Tower in 2023.
- We are awarded by China Telecom as the Group-Level Excellent Supplier in 2022.
- We are awarded by Kehua Data as the Excellent Partner in 2023.

During the Track Record Period, the amount of our backlog orders amounted to approximately RMB881.1 million, RMB861.2 million and RMB883.6 million as of December 31, 2022, 2023 and 2024.

The following table sets forth the rolling backlog of our orders by outstanding contract balance during the Track Record Period.

	For the year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Outstanding balance at the beginning of the year	551,824	881,117	861,234
Add: Contract value of newly awarded orders	4,838,166	4,716,835	5,149,276
Less: Revenue (VAT inclusive) recognized from sales of lead-acid and lithium-ion batteries during the year*	4,508,873	4,736,718	5,126,863
Outstanding balance at the end of the year	881,117	861,234	883,647

* *As the contract value according to the agreement is inclusive of VAT, for the purpose of calculating the backlog order, the revenue recognized during the relevant year also includes VAT.*

Sales Agreement

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

Our framework sales agreements typically contain the following terms:

Technological Specification As our business involves the development, manufacture and sales of products and technologies for customers, our customers usually set relevant technical parameters and technological specification of the batteries in the sales contract. Those parameters and technological specification sets out certain characteristics and requirements of the products to be delivered.

Price and price adjustment mechanism	We specify the price of each type of products provided to customers in the framework sales agreement, including unit price and total price. We have price adjustment mechanism that allow us to adjust the price of the lead-acid battery based on the fluctuations of the main raw materials during a specified period. Since 2022, we set up price adjustment mechanism in contracts with our major customers that allows us to adjust the lithium-ion battery price based on the overall market fluctuations of the main raw materials during a specified period. The market spot price and the proportion of each raw materials serve as the base for calculating the cost of raw material used in the batteries. According to Frost & Sullivan, such price adjustment mechanism is common in the industry.
Payment term	We grant credit period to our customers according to their credit profile, historical performance and procurement amount. We typically grant credit terms of one to six months to eligible customers.
Delivery term	Generally we bear the costs and risks associated with bringing the goods to the named place of destination. This includes transport, insurance, and any other costs up to the point of delivery at the specified place.
Inspection	Product inspection may take place within a specified period after delivery to customer. Our customers may require us to replace the defective products.
Duration, termination and renewal	Generally one to two years.
Minimum purchase requirement	We generally do not have minimum purchase requirements for our customers.
Warranty and return policy	We usually offer a warranty period in accordance with applicable regulations. The warranty period usually ranges from three to eight years during which we bear the cost of product return and provide maintenance service or make replacement free of charge to our customers. For the amount of provision and our provision policy related to product warranty, see Note 31 to the Accountants' Report in Appendix I to this document.

Pricing

Our ability to properly price our products is important to our results of operations. We have an effective pricing strategy. We usually use a cost-plus method to price our products based on the fluctuation of raw materials, overhead, expected order volume, prevailing market price, competitors' pricings, payment methods and specification of products requested by customers. In particular, as our products are primarily used in telecom base stations and data centers, our results of operations are mainly driven and affected by the development, construction schedule or progress of relevant projects, which in turn, were determined by our customers' business decision, as well as related policies and infrastructure development strategy. As a result, we may adjust our pricing strategy, taking into account various factors in line with our business development strategy, including our long-term cooperation with the relevant customers.

In addition, we have set up a price adjustment mechanism in contracts with major customers that allows us to adjust the price of our batteries based on the price fluctuations of the main raw materials, such as LFP cathode materials, lead ingots and graphite, during a specified period. During the Track Record Period, the pricing of our batteries fluctuated due to the change in the price of raw materials. In 2021, as we entered into fixed price contract with our major customers for lithium-ion batteries, our pricing policy for lithium-ion batteries lacked price adjustment mechanism for us to pass the increase wholly or partially of the increased raw materials price to our major customers, which led to lower gross profit margin accordingly. Since later 2022, we started to adjust our pricing by introducing price adjustment mechanism terms in our framework sales agreements with our major customers for lithium-ion batteries. The price adjustment mechanism terms only applied to our major customers because we primarily entered into framework sales agreements with major customers. Under such framework sales agreement, our customers place purchase orders over a period of time, during which the price of raw materials may fluctuate. For other customers, we typically entered into purchase and sale agreements in which the price of batteries is determined based on the costs of raw material at the time. As there is no need to adjust the price other than in the purchase order under the framework sales agreements entered into with our major customers, we do not plan to extend such price adjustment mechanism terms to other customers with whom we do not entered into framework sales agreement. Such price adjustment mechanism term enables us to adjust the battery price based on the overall market fluctuations of the main raw materials, ensuring the overall stability of our profitability. For price fluctuation of our batteries during the Track Record Period, see "Financial Information — Description of Major Components of our Results of Operations — Revenues" in this document.

Generally, the price adjustment mechanism stipulated in the contracts with our major customers works as follows:

(i) The original raw material costs: When signing the framework contract and submit our bidding price, the original material costs are determined based on (a) the average market price of each major raw materials published on the website of Shanghai Metals Market from the previous week and (b) the usage amount of the each major raw material in producing our batteries. The original material costs = average market price of each major materials from the previous week * the usage amount of each raw materials.

(ii) The new raw material costs: For certain period of time (generally each month or every three months) in which our customers place purchase orders, we recalculate the material costs by checking the average market price of each major raw materials published on the website Shanghai Metals Market from the previous month. The new material costs = average market price of each major materials from the previous month * the usage amount of each materials.

(iii) The price adjustment: At the beginning of each period, we compare the original raw material costs with the new raw material costs. If the new material costs increased/decreased beyond certain threshold (generally 5% or more) from the original raw material costs, the price adjustment mechanism is triggered, and the battery price in our customer's purchase order is adjusted by the difference between the new raw material costs and the original raw material costs. The adjusted battery price = the original battery price +/- the difference between the new raw material costs and the original raw material costs. If such increase/decrease does not reach the threshold, no adjustment is made, and the price of batteries remain the same for our customers.

When the prices of certain raw materials experience phased increases beyond a certain threshold, our price adjustment mechanism enables us to adjust our selling prices to mitigate the adverse impact of such cost increases on the profit margin of our batteries. As of December 31 2024, we have entered into agreements that include price adjustment mechanism with over five customers. Such customers contribute to approximately 39.5% of our total revenue in 2024. During the Track Record Period, the percentage of revenue adjusted based on our price adjustment mechanism accounted for 8.9%, 14.2%, and 19.2%, respectively, and we recorded gross profit margins of 16.9%, 20.3%, and 16.7%, in 2022, 2023 and 2024, respectively. Since 2022, we set up price adjustment mechanism in contracts with our major customers that allows us to adjust the lithium-ion battery price. To certain extent, the price adjustment mechanism ameliorated our risk exposure to the price fluctuation of raw materials and effectively safeguarded the profitability of our batteries.

The following table sets forth the breakdown of revenue by fixed price contracts and contracts with the inclusion of price adjustment terms and the percentage to the total revenues during the Track Record Period:

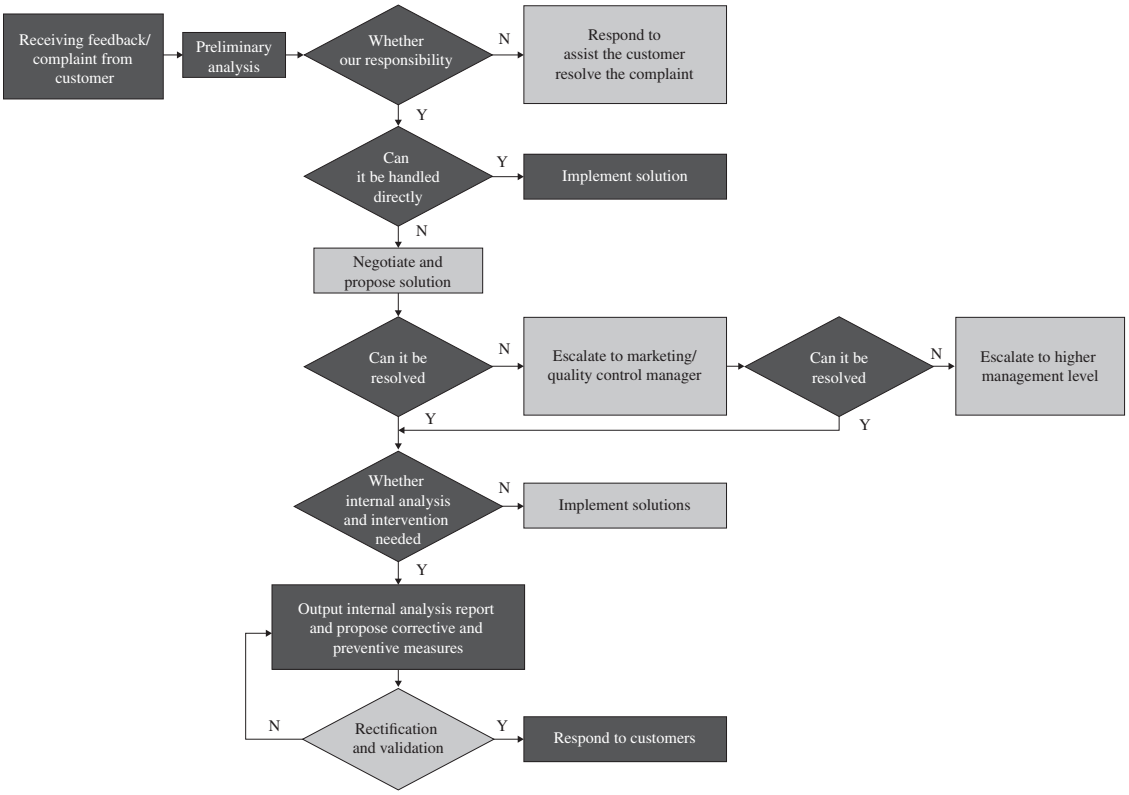
	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Fixed price contracts	2,271,075	55.8	2,340,118	54.9	2,720,973	60.5
Contracts with the inclusion of price adjustment terms	1,801,405	44.2	1,919,659	45.1	1,777,549	39.5
Total	**4,072,480**	**100.0**	**4,259,777**	**100.0**	**4,498,522**	**100.0**

The price adjustment mechanism is effective to an extent in mitigating the impact of rising cost of raw materials by allow our customers and us to adjust the battery prices within a definitive scope base on the price of raw material, therefore safeguard our gross profit margin from drastic fluctuation.

Customer Service

We have established multi-tiered customer service teams across various regions in China and around the globe. As of December 31, 2024, our national service network consisted of 29 outlets across various provinces and regions in China. As one of our key competitive advantage, we have an extensive business and service network that allows us to consistently deliver high-quality services nationwide with flexibility and convenience for our customers in a timely manner. Our initial response time from receiving any customers feedback or complaint is within two hours, and our customers service team is required to reach the site of work designated by the customers within 24 hours.

The chart below sets forth our customer complaints handling procedure:



For our oversea customers, we generally provide our initial response via phone call or email within 24 hour from receiving any customers feedback or complaint, and communicate our analysis and follow-up steps with our customers within 48 hours. If it is our responsibility, we propose a detailed solution or replacement plan to our customers with a corresponding timeline. If necessary, we also handle the issue on-site per customer's request. Depending on the visa policies of different countries, the on-site visit is generally completed within 7 working days.

During the Track Record Period and as of the Latest Practicable Date, we have not received any material customer complaints.

SUPPLIERS

We purchase raw materials and key components from third-party suppliers in China, mainly including lithium iron phosphate, lead alloy and lead ingots. We have established stable relationships with our suppliers, enabling us to secure a consistent supply of raw materials at competitive prices. This helps ensure our ability to produce and deliver high-quality products on time, meeting the needs of our customers.

During the Track Record Period, purchase from our top five suppliers amounted to RMB1,273.1 million, RMB1,243.7 million and RMB1,541.4 million, accounting for 42.3%, 43.8% and 47.9% of our total purchase for the corresponding years, respectively. During the Track Record Period, we have not encountered any shortages or delay in the supply of raw materials that led to production disruptions. We believe that our stable relationships with suppliers will continue to ensure an adequate and steady supply of raw materials and help control future price fluctuations. During the Track Record Period, there have been no quality issues with our raw materials that significantly impacted our operations.

The following tables set forth the details of our five largest suppliers for each year during the Track Record Period.

For the Year ended December 31, 2024

Suppliers	Purchase Amount	Percentage of total purchase amount	Company background	Commencement of Business Relationship	Credit Term	Payment Method	Products purchased by our Group	Registered capital/ Issued share capital	Registered place
	RMB'000							*(RMB in millions)*	
Supplier A	663,405	20.6%	A non-ferrous metal producer, listed on the Shanghai Stock Exchange	2013	45 days	Bank transfer	Lead alloy	1,090.2	Jiyuan
Supplier B	302,409	9.4%	An alloy technology company	2022	45 days	Bank transfer	Lead ingots	30	Jiyuan
Supplier C	233,945	7.3%	A metallurgical company	2012	45 days	Bank transfer	Lead ingots/lead alloy	10.2	Xiangyang
Supplier D	208,316	6.5%	An environmental technology company	2023	45 days	Bank acceptance	Lead ingots	5	Nantong
Supplier E	133,290	4.1%	A commodity wholesale business	2016	45 days	Bank transfer	Lead ingots	3	Shanghai

For the Year ended December 31, 2023

Suppliers	Purchase Amount	Percentage of total purchase amount	Company background	Commencement of Business Relationship	Credit Term	Payment Method	Products purchased by our Group	Registered capital/ Issued share capital	Registered place
	RMB'000							*(RMB in millions)*	
Supplier A	468,675	16.5%	A non-ferrous metal producer listed on the Shanghai Stock Exchange	2013	45 days	Bank transfer	Lead alloy	1,090.2	Jiyuan
Supplier F	294,046	10.4%	A metal manufacturing company	2023	45 days	Bank transfer	Lead ingots	120	Baoding
Supplier G	193,238	6.8%	A new energy battery manufacturing company listed on the Beijing Stock Exchange	2020	30 days	Bank acceptance	Lithium iron phosphate	611.5	Guiyang
Supplier C	188,016	6.6%	A metal manufacturing company	2012	45 days	Bank transfer	Lead ingots/lead alloy	10.2	Xiangyang
Supplier H	99,689	3.5%	A lithium-ion battery manufacturer listed on the Hong Kong Stock Exchange	2019	60-90 days	Bank transfer and bank acceptance	Lithium-ion battery cells	2,160	Wenzhou

For the Year ended December 31, 2022

Suppliers	Purchase Amount	Percentage of total purchase amount	Company background	Commencement of Business Relationship	Credit Term	Payment Method	Products purchased by our Group	Registered capital/ Issued share capital	Registered place
	RMB'000							*(RMB in millions)*	
Supplier A	527,895	17.5%	A non-ferrous metal producer listed on Shanghai Stock Exchange	2013	45 days	Bank transfer	Lead alloy/lead ingots	1,090.2	Jiyuan
Supplier I	235,609	7.8%	A new energy battery manufacturing company	2020	45 days	Bank transfer	Lithium-ion battery cells	762.49	Shangrao
Supplier J	212,628	7.1%	A metal manufacturing company	2020	45 days	Bank transfer	Lead ingots	9	Baoding
Supplier C	159,978	5.3%	A metal manufacturing company	2012	45 days	Bank transfer	Lead ingot/lead alloy	10.2	Xiangyang
Supplier G	137,005	4.6%	A new energy battery manufacturing company listed on Beijing Stock Exchange	2020	30 days	Bank acceptance	Lithium iron phosphate	611.5	Guiyang

As of the Latest Practicable Date, none of our Directors, their close associates or any of our Shareholder which to the best knowledge of our Directors owned more than 5% of the issued share capital of our Company, had any interest in our five largest suppliers in each year during the Track Record Period. To the best knowledge of our Directors, each of our five largest suppliers in each year during the Track Record Period was an Independent Third Party.

Overlapping Customer and Supplier

During the Track Record Period, one of our top five suppliers (being Supplier C), from whom we procure lead alloy and lead ingots, was also our customer procuring lead slag waste from us. In 2022, 2023 and 2024, our purchase amount attributable to Supplier C amounted to RMB160.0 million, RMB188.0 million and RMB223.9 million, which accounted for 5.3%, 6.6% and 7.3% of our total purchases, respectively, and our sales amount attributable to Supplier C amounted to RMB6.6 million, RMB1.1 million and RMB3.9 million, which accounted for 0.2%, 0.0% and 0.1% of our total sales amount, respectively. From the sale to Supplier C, we recorded, gross loss of RMB0.2 million, gross loss of RMB0.0 million and gross profit of RMB0.1 million in 2022, 2023 and 2024, and the gross profit margin of sales to Supplier C was negative 3.0%, negative 1.5%, 22.2% in 2022, 2023 and 2024, respectively.

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

Given that (i) our relationship with the supplier-customer is unlikely to materially deteriorate or terminate, and (ii) the sales amount to the supplier-customer was immaterial during the Track Record Period, we believe that the supplier-customer overlap during the Track Record Period would not hinder our business prospects.

Supply and Demand of Raw Material

The major raw materials for lithium-ion batteries are LFP cathode materials, graphite, separators, electrolyte solutions and shell. The major raw materials for lead-acid batteries are lead ingots, lead alloy, shell, sulphuric acid and fiberglass separators.

In 2022, 2023 and 2024, cost of raw materials amounted to RMB2,824.5 million, RMB2,868.8 million, and RMB3,097.2 million, respectively, accounting for 83.5%, 84.6%, and 82.7% of total costs of sales for the same year.

During the Track Record Period, we have experienced fluctuations in the cost of our raw materials. In particular, the price of lithium carbonate and LFP cathode materials have experienced considerable fluctuations. According to Frost & Sullivan, in 2022, 2023 and 2024, the market price of LFP cathode materials was RMB125.0 thousand per ton, RMB72.2 thousand per ton, and RMB40.2 thousand per ton, respectively. To a lesser extent, the price of other raw materials such as lead and graphite also experienced price fluctuation during the Track Record Period, primarily due to changes in the market supply and demand. During the Track Record Period, we have set up price adjustment mechanism to allow us to adjust our battery price based on the fluctuations of the main raw materials during a specified period. During the same years, we did not engage in hedging activities against the fluctuation in raw material prices. For the movements of price of raw materials during the Track Record Period, see "Industry Overview — Battery and Raw Materials Price Analysis," "Financial Information — Major Factors Affecting Our Results of Operations — Fluctuation in Prices of Raw Materials" and "Risk Factors — 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 document.

To manage fluctuations of raw material prices and ensure a stable supply of key raw materials, we engage in strategic collaborations with our main raw material suppliers, primarily to secure quantities of these materials at certain price in advance. The key terms of our strategic collaborations arrangement with our main raw material suppliers generally include the following:

Duration	Generally one year
Pricing	The pricing of raw material is locked at certain price agreed upon by both parties.
Payment and credit term	Within 30 days after acceptance
Minimum and Maximum Purchase/ Supply Requirement	We shall purchase and the supplier shall deliver at least 80% or at most 120% of the quantity stipulated in the contract. During the Track Record Period, we have no dispute with our suppliers regarding the minimum and maximum purchase/supply requirement.
Warranties	Generally one year after acceptance
Inspection and product returns	Product inspection and acceptance may take place within seven days after delivery of the raw materials to us. We may return to suppliers defective raw materials that do not meet the agreed quality standard, and the suppliers shall remedy the same, including product return and replacement. Our suppliers and us bear responsibility for potential product defects in accordance with industry norm.

Looking ahead, we do not rule out the possibility of entering into new agreements with our main suppliers to lock in the prices of key raw materials. If we can prudently estimate the fluctuations in raw material prices and lock in prices at advantageous levels, such actions could be beneficial to us.

Procurement Arrangement

During the Track Record Period, we carefully select external suppliers and require them to meet certain evaluation and assessment standards. We only select suppliers listed on our qualified supplier list. To be on the list, all potential suppliers are evaluated and rated comprehensively on key parameters such as qualification, quality, customer service, thoroughness of quality control, production capacity and logistics. We also conduct comprehensive and daily management for our suppliers, classifying and evaluating our suppliers based on the key parameters quarterly and annually. This evaluation helps us establish a merit-based system, promoting the best and phasing out the underperformers, ensuring the quality and cost-effectiveness of our procurement.

Apart from annual framework agreements, we generally do not enter into long-term purchasing agreements with suppliers and place orders as needed. Purchase orders detail the specifications and quality standards of the raw materials, quantities, payment obligations, and delivery methods. Such agreements are legally binding and have not been subject to material breaches during the Track Record Period and up to the Latest Practicable Date. Additionally, during the track record period, we did not enter into any exclusive supply agreements with our suppliers.

The major terms of the framework agreements we enter into with our suppliers generally include the following:

Duration	Generally one to two years
Purchase Order	We typically include purchase amount, the type, specification, unit price, quantity and date of delivery in the purchase order.
Pricing	Depending on the type of raw material and supplier, prices are determined/adjusted taking into account the then prevailing market price when placing orders. We have price adjustment mechanism for procuring certain raw materials. For LFP cathode materials, the price is generally determined based on the prevailing market price published on the website of Shanghai Metals Market (www.smm.com) on the date of our purchase order. For lead ingots and lead alloy, the price is determined based on average market price published on the website of Shanghai Metals Market from the 26th of the previous month to the 25th of the month in which our purchase order is placed.

Payment and credit term	45 – 90 days
Delivery term	Generally our supplier bears the costs and risks associated with bringing the goods to our named place of destination.
Minimum purchase requirement	None
Inspection and product returns	Product inspection may take place within a specified period after delivery of the raw materials to us. We may return to suppliers defective raw materials that do not meet the agreed quality standard, and the suppliers shall remedy the same, including product return and replacement. Our suppliers and us bear responsibility for potential product defects in accordance with industry norm.
Confidentiality	We usually set confidentiality clauses in the framework agreements, and the period of confidentiality obligations may be extended to after the expiration of the agreements.
Termination	Terminable upon material breach of the agreement, or insolvency of any party.

THIRD PARTY PAYMENT

Background

During the Track Record Period, certain of our customers (the "**Relevant Customers**") have settled payments with us through third-party payers (such payer(s), the "**Third-Party Payer(s),**" and such arrangement(s), the "**Third-Party Payment Arrangement(s)**").

The Third-Party Payment Arrangement(s) primarily include: (a) settlement by legal representative, actual controller, employees or entities within the same group of the Relevant Customers; and (b) settlement by independent third parties of the Relevant Customers. In 2022, 2023 and 2024, there were 29, 38 and 38 Relevant Customers, respectively, and the aggregate amount of Third Party Payment Arrangement was RMB27.4 million, RMB39.8 million and RMB25.5 million, representing approximately 0.7%, 0.9% and 0.8% of our total revenues, respectively.

The following table sets forth the breakdown of approximate amount of the Third-Party Payment Arrangement and the percentage to the total revenues during the Track Record Period:

	Year Ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Settlement by legal representative, actual controller, employees or entities within the same group	10,380.1	0.3	16,949.3	0.4	5,777.1	0.2
Settlement by independent third parties	17,020.7	0.4	22,895.0	0.5	19,690.1	0.6
Total	27,400.8	0.7	39,844.3	0.9	25,467.2	0.8

During the Track Record Period and up to the Latest Practicable Date, we had not initiated any Third-Party Payment Arrangements, but only accepted the Third-Party Payments paid by the Third-Party Payers at the request of the Relevant Customers. In addition, during the Track Record Period and up to the Latest Practicable Date, we have not provided any discount, commission, rebate, or other benefits to any of the Relevant Customers or the Third-Party Payers to facilitate or encourage the Third-Party Payment Arrangements. As advised by our PRC Legal Advisors, our acceptance of payments through the Third Party Payment Arrangements do not contravene any prohibitive provisions under PRC laws and regulations.

As advised by our PRC Legal Advisor, the Third-Party Payment Arrangement would not be deemed as constituting the crime of money laundering specified in Article 191 of the Chinese Criminal Law. According to Article 191, money laundering involves actions to conceal or disguise the origins and nature of proceeds from crimes such as drug offenses, organized crime, terrorist activities, smuggling, corruption, financial management disruption, and financial fraud. Our transactions have a substantial and genuine commercial background, and the associated third-party payment arrangements do not meet the definition and criteria for money laundering. Based on the analysis above, our PRC Legal Advisor is of the view that the risk of money laundering related to our business operation and the Third-party Payment Arrangements is remote.

Our Internal Control Consultant has conducted follow-up review of the internal control measures in relation to Third-Party Payments adopted by us following the cessation of the arrangements in August 2024 and did not identify any material deficiencies.

During the Track Record Period and up to the Latest Practicable Date, as confirmed by the Directors, (1) we had not encountered any disputes with, nor received any refund request from, any Relevant Customer or Third-Party Payer, and (2) we had not been subject to any disputes or administrative penalties by the relevant government authorities with respect to the Third-party Payment Arrangements.

Reasons for Third-Party Payment Arrangement

The Relevant Customers primarily include, among others, our customers overseas, many of which located in the countries/regions where the local currency is not RMB, USD or Euros. For the Relevant Customers other than our customers overseas, we accepted the third-party payment mainly due to the request of our customers.

The main reasons that there exists Third-Party Payment Arrangement in our business are as follows:

- for overseas customers located in countries/regions where the local currency is not RMB, USD or Euros, and since we only accept a few mainstream currencies, they often opt for third-party payment methods;
- for group companies that control multiple subsidiaries, they typically prefer using Third-party Payment Arrangements with entities or individuals within the same group or designated companies to facilitate their centralized management and control of funds;
- in compliance with the relevant rules of the local governments in China, some of our government and enterprise cooperation programs are settled by government payment centers rather than by the specific cooperating governments agencies; and
- some of our customers prefer using Third-party Payment Arrangement with their debtors or staff to facilitate settlement or debt collection.

Internal Control Measures for Third-Party Payment Arrangements

To safeguard our Group's interest against risks associated with Third-Party Payment Arrangements, the following internal control measures have been adopted by our Group:

(1) Since August 23, 2024, we have ceased all Third-Party Payment Arrangements and all new orders placed thereafter by customers can only be settled by customers' own accounts;

(2) We circulated notice internally to alert and inform relevant staff members of requirements on identification of, and prohibition on accepting Third-Party Payment Arrangement;

(3) Our finance department is responsible for maintaining a receipt settlement management ledger, which records, among other information, the customer's name, content of transaction, payment data, payment sum, payment method and the payer's name, so as to ensure that relevant payments are made directly by the relevant customer;

(4) Since August 23, 2024, for all identified payments made by the Third-Party Payers, we will only settle the payment until we receive direct payment from the relevant customers.

Considering that our revenues generated from these Third-Party Payment Arrangements as a percentage of our total revenues was immaterial, our Directors confirm that the cessation of the Third-Party Payment Arrangements does not have a material adverse impact on our business, financial conditions or results of operations.

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our internal control system. In preparation for the **[REDACTED]**, we have engaged an independent third-party consultant (the "**Internal Control Consultant**") to perform a review over selected areas of our internal controls over financial reporting in May 2024 (the "**Internal Control Review**"). The scope of the Internal Control Review performed by the Internal Control Consultant covered, among others, the Third-Party Payment Arrangements. Pursuant to the Internal Control Review undertaken for **[REDACTED]** purposes, the Internal Control Consultant reviewed the above internal control measures in relation to Third-Party Payment Arrangements adopted by us and did not identify any material deficiencies.

BUSINESS ACTIVITIES WITH CUSTOMERS IN THE RELEVANT REGIONS

Certain countries or organizations, including the U.S., the European Union, the United Kingdom, the United Nations and Australia, maintain economic sanctions and trade restrictions targeting certain industries or sectors within the countries subject to International Sanctions.

During the Track Record Period, we had sold our Chinese-origin lithium-ion battery and lead-acid battery products directly to our customers globally. Based on our review on the location of our customers, we have identified customers located in certain countries subject to International Sanctions, the Relevant Regions. Products we sold to the Relevant Regions were mainly battery products for telecom base stations. We engage in the business with these customers primarily through our existing customers, their affiliates or through direct negotiation. The revenue 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 revenue in 2022, 2023 and 2024, respectively. These transactions were carried out by our Group entities incorporated in China directly to our customers located in the Relevant Regions, and some payments received by us were denominated in USD or EUR. There was no other nexus to the United States, the European Union, the United Kingdom or Australia, including any persons domiciled or entities incorporated from these regions. While some of our customers were designated on the Entity List maintained by the BIS, none of our customers were designated on other sanctions list maintained by the U.S. or the EU. The revenue generated from such sales to our customers designated on the Entity List was approximately RMB1.2 million, RMB0.0 million and RMB0.2 million, representing approximately 0.0%, 0.0%, and 0.0% of our total

revenue in 2022, 2023 and 2024, respectively. As advised by our International Sanctions Legal Adviser, our sales to these customers designated on the Entity List did not represent a violation of the applicable sanctions or export controls, as discussed further below.

We have engaged Hogan Lovells, our International Sanctions Legal Adviser 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.

Primary sanctions

Based on our review on the location of our customers, we have identified customers located in certain countries subject to the International Sanctions, the Relevant Regions. As advised by our International Sanctions Legal Adviser, although the Relevant Regions were subject to various sanctions during the Track Record Period, none of them was a Comprehensively Sanctioned Country. The Comprehensively Sanctioned Countries are subject to a general and comprehensive territorial-based export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction (for instance, transactions in USD and EUR with entities located in a Comprehensively Sanctioned Country is generally prohibited), on the other hand, the Relevant Regions are subject to a more limited set of sanctions, targeting certain designated entities, products, or sectors inside the Relevant Region. As advised by our International Sanctions Legal Adviser, our sales involving the Relevant Regions during the Track Record Period did not represent a violation of applicable sanctions and 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, given that:

(i) 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; and

(ii) for the export control restrictions applicable to our customers listed on the Entity List maintained by the BIS, products subject to the EAR are generally prohibited from exporting to any entities designated on the Entity List unless licensed. All products sold to our customers in the Relevant Regions and certain customers listed on the Entity List maintained by the BIS were Chinese-origin lithium-ion battery and lead-acid battery products that does not subject to the EAR. Therefore, our sales to such customers did not require a license nor otherwise violate the export control restrictions applicable to these customers.

Secondary sanctions

The U.S. has also enacted secondary sanctions targeting non-U.S. persons who are engaged in certain defined activities, certain sectors in the Relevant Regions or provide material support for such activities and sectors, business activities engaging in these defined activities, sector or provide material support for such activities and sectors can be viewed as engaging in Secondary Sanctionable Activities. Among the Relevant Regions, the "manufacturing" sector of Russian economy (together with other four sectors of the Russian economy, architecture, engineering, construction and transportation) were designated under EO 14024 on May 19, 2023, providing authority to OFAC to impose sanctions on any person found to "operate in" such designated sectors. Save for the transactions with Russia, the Group's transactions in the Relevant Regions did not involve other business activities targeted by extra-territorial provisions (i.e. secondary sanctions) of sanctions law or regulation in the Relevant Jurisdictions. U.S. sanctions do not automatically apply to every company in such designated sectors in Russia, instead, OFAC has to exercise its discretionary authority to designate a particular person or entity for "operating in" such designated sectors for U.S. sanctions to apply. When considering whether an entity is engaged in significant transactions that expose such entity to risks of secondary designation, OFAC would consider a basket of factors, including the size and commercial purpose of the transactions. To our best knowledge, the batteries we sold to Russia were used in data centers, telecom base stations and other application scenarios such as for backup power of hospitals and banks. The revenue generated from our sales to Russia (excluding the Crimea, Kherson, Zaporizhzhia, and LPR/DPR regions) was approximately RMB3.9 million, RMB11.8 million and RMB8.8 million, representing approximately 0.1%, 0.3% and 0.2% of our total revenue in 2022, 2023 and 2024, respectively. Products we sold to the Relevant Regions (including Russia) were mainly battery products for telecom base stations. Given the nature of our activities, as advised by our International Sanctions Legal Adviser, it appears unlikely that OFAC would view our Group itself as "operating in" Russia's manufacturing sector or have materially assisted, sponsored, or provide financial, material or technological support for, or good or services to or in support of architecture, engineering, construction, manufacturing and transportation sectors of Russian Federation economy" under EO 14024 for its business activities with Russia by merely selling the Group's products to Russia or that OFAC would designate us as an SDN for merely selling the Group's products to Russia (rather than manufacturing its products in Russia, locally); also, considering that our transactions with the Relevant Regions did not involve other business activities targeted by extra-territorial provisions of sanctions law or regulation in the Relevant Jurisdictions and the fact that we do not transact with any sanctioned entities located in Russia or otherwise designated under EO 14024, it is unlikely that our activities would result in OFAC using its secondary sanctions authority under EO 14024 and other secondary sanctions authorities to sanction the Relevant Persons. As of the Latest Practicable Date, we are not designated by the secondary sanctions authority under EO 14024 or found by OFAC to "operate in" certain designated sectors in Russia.

Conclusion

Therefore, based on the above, our International Sanctions Legal Adviser has not identified apparent violations of International Sanctions by us. Our International Sanctions Legal Adviser is of the view that our Group is not subject to material sanctions risks, after evaluating the sanctions risks of our historical business activities with customers in the Relevant Regions during the Track Record Period. Our Directors are, thus, of the view that given we are not in violation of the International Sanctions, it is unlikely there will exist any potential penalty that can be imposed on our Group by applicable government agencies including OFAC.

Our Directors are of the view that the revenue generated from these business activities with the Relevant Regions are not material given that the revenue contribution from these business represent less than 5% of our annual revenue. Considering that our existing business with the Relevant Regions are not in violation of the International Sanctions, we intend to continue the business with the Relevant Regions in accordance to the International Sanctions and our internal controls and risk management measures set out in below.

Internal Controls

In addition, we have adopted enhanced internal control and risk management measures which we believe enable us to monitor and evaluate our business to address economic sanction risks as follows:

- we will set up and maintain a separate bank account upon the **[REDACTED]**, which will be designated for the sole purpose of the deposit and deployment of the proceeds from the **[REDACTED]** or any other funds raised through the Stock Exchange;

- to further enhance our existing internal risk management functions, our legal specialist is responsible for monitoring our exposure to sanctions risks and our implementation of the related internal control procedures. Our legal specialist will hold a meeting biannually to monitor our exposure to sanctions risks and to review our procedures implemented over sanctions screening;

- we will evaluate the sanctions risks prior to determining whether we should embark on any business opportunities in Countries subject to International Sanctions or Sanctions Persons. According to our internal control procedures, our legal specialist needs to review and approve all relevant business transaction documentation from customers or potential customers from Countries subject to International Sanctions or Sanctions Persons. In particular, screening process will be implemented to identify if the potential transaction counterparty of the Group is a person or entity on the various lists of restricted parties and countries maintained by the U.S., the EU, the UN, the U.K., the United Kingdom overseas territories or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available. The transactions that fail the internal

review will not be proceed. We will monitor revenue contribution derived from business opportunities in Countries subject to International Sanctions, and ensure that the total annual revenue contribution derived from these business opportunities will not be material (5% or more) and not in violations of International Sanctions. At the same time, our legal specialist should, periodically review the existing customers and suppliers lists to ensure that the Group does not engage in transactions with countries, regions, entities or individuals on the sanction lists. If any potential sanctions risk or suspicious transaction is identified, we may seek advice from reputable external legal counsel with necessary expertise and experience in International Sanctions matters;

- our Directors will continuously monitor the use of **[REDACTED]** from the **[REDACTED]**, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Sanctioned Countries or Sanctioned Persons where this would be in breach of International Sanctions;

- our legal specialist will review our internal control policies and procedures with respect to sanctions matters as part of the biannual meeting. As and when our Legal Department considers necessary, we will retain external legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice; and

- if necessary, we will engage external legal counsel to provide compliance training relating to the international sanctions to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations, in particular, to perform screening procedures in respect of counterparties to our Group's business to ensure none of them are Sanctioned Persons. Our external legal counsel will provide the latest list of Sanctioned Countries to our Directors, senior management and other relevant personnel, who will in turn disseminate such information internally.

Our International Sanctions Legal Advisors have reviewed and evaluated these internal control measures and are of the view that these measures appear adequate and effective for our Company, based on our products and risk assessment, to comply with applicable international sanction laws and our undertakings to the Stock Exchange.

Having taken into account the above advice of our International Sanctions Legal Advisors, our Directors are of the view that our measures provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to sanctions laws so as to protect the interests of our Shareholders and us.

Undertakings

Our Directors confirm that we do not have present intention to undertake any business involving directly or indirectly the Comprehensively Sanctioned Countries. We will not knowingly or intentionally conduct any business with any Sanctioned Persons (including but not limited to those located in any of the Relevant Regions), or any business in any Comprehensively Sanctioned Countries that will cause us to violate International Sanctions, and we will not use the proceeds from the **[REDACTED]** to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Comprehensively Sanctioned Countries or Sanctioned Targets. Our Directors will continuously monitor the use of **[REDACTED]** from the **[REDACTED]**, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, Comprehensively Sanctioned Countries or Sanctioned Persons where this would be in breach of International Sanctions.

Further, given the scope of the **[REDACTED]** and the expected use of **[REDACTED]** as set out in this document, our International Sanctions Legal Adviser 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 listing committee 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 listing, trading and clearing of our Shares (including the Stock Exchange, its listing committee and related group companies) is remote.

WAREHOUSING, LOGISTICS AND INVENTORY MANAGEMENT

Our inventories primarily consist of raw materials, work-in-progress, finished goods and goods in transit. For details, see "Financial Information — Discussion of Certain Selected Items From the Consolidated Statements of Financial Position — Inventories" in this document. We have implemented policies to optimize our inventory level, and our inventory management system and storage and transportation capabilities are considered superior within the industry. For details of policy on making provision of inventories, see "Financial Information — Discussion of Certain Selected Items From the Consolidated Statements of Financial Position — Inventories" in this document.

We achieve efficient inventory management through carefully considering the inventory impact of our products, aiming to realize inventory control through designs and modularization. Each department provides the safety stock standard value for materials (including spare parts) based on monthly/annual demand, divided into upper and lower inventory alert levels. Warehouse managers monitor inventory according to the safety stock standards provided by each department and give timely warnings and feedback if the standards are exceeded. 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. We are therefore able to direct our manufacturing and control the supplier's delivery to achieve a faster inventory flow. Additionally, we periodically analyze our inventory level so that we are able to deal with slow-moving inventories in a timely manner.

As of the Latest Practicable Date, save as otherwise disclosed in "— Properties" in this section, almost all of our warehouses are owned by ourselves, which allows for greater control and efficiency in our logistics operations. Additionally, our suppliers bear the cost of logistics, which enables us to maintain a cost-effective supply chain.

INFORMATION TECHNOLOGY

We believe that information technology is crucial for maintaining our competitive position. We utilize multiple information technology systems to manage various aspects of our operations, including but not limited to sales management, material procurement, production, quality control, inventory management, financial reporting, and human resources. Within our integrated information systems, we have multiple systems, including but not limited to ERP system and OA system through out our business operations. Our systems are of vital importance in coordinating among departments and quality control. For details, see "— Quality Control — Our Quality Control System" in this section.

The functionality and stability of our information technology infrastructure are critical to our business operations. The IT department conducts system checks, data backups, system maintenance, and other activities to ensure the continuous operation of critical IT systems and facilities. During the Track Record Period and up to the Last Practical Date, our IT systems did not experience any major failures or complete breakdowns that had a significant adverse impact on our overall business operations.

EMPLOYEES

We recognize the importance of talents for sustainable business growth and competitive advantages. We believe that our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive salaries, performance-based bonuses, and other incentives. We sign non-competition agreement with our senior management or other key employees. Our employees are periodically reviewed on the basis of, among other criteria, their abilities to achieve stipulated performance targets. As a result, we have generally been able to attract and retain qualified employees and maintain a stable core management team.

We adopt a diversified recruitment approach to ensure a sufficient talent pool for key positions. We primarily recruit our employees through on-campus recruitment, online job sites and internal referrals. We provide on-board training for all of our employees as well as periodic training or seminars to ensure their self-development. We also strive to create a multiple-incentive mechanism and a friendly working environment to fulfil our employees' full potential.

As of December 31, 2024, we had 2,176 full-time employees, almost all of whom are based in China. The following table sets forth the numbers of our employees categorized by function as of the date indicated:

Employees Categorized by Function	Number of Employees	% of total
R&D and Technical	244	11.2
Production	1,365	62.7
Administrative	276	12.7
Financial	32	1.5
Sales & Marketing	259	11.9
Total	**2,176**	**100.0**

We currently have a labor union for our employees. We believe that we have maintained good relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations.

Dispatched Staff

In addition to direct employment, during the Track Record Period, we entered into labor dispatch agreements with Independent Third Party employment agents whereby the employment agents dispatched suitable staff to fulfill our job requirements on mutually agreed terms, including the number of staff to be dispatched, period of the dispatch and wages and benefits of the dispatched staff. Staff dispatched to us by the employment agent are engaged only in temporary, auxiliary or substitutable positions. Our Directors believe that the labor dispatch arrangements enabled us to maintain a sufficient and flexible level of labor force to meet our operation requirements. Pursuant to the labor dispatch agreements, we pay a combined fee to the employment agent, primarily consisting of service fees of the employment agent and wages and benefits of the dispatched staff. The employment agent is responsible for arranging payment of wages, insurances and other welfare conditions as required by the PRC laws and regulations upon receipt of the combined fee. The dispatched staff are employed by the employment agent, and hence we are not their employer. We apply our human resources policy and codes of our conduct to the workers dispatched to us.

Pursuant to Labor Contract Law of the People's Republic of China, and the Interim Provisions on Labor Dispatch（勞務派遣暫行規定)(the "**Interim Provisions**") which came into effect on March 1, 2014, an employer shall strictly control the number of dispatched staff to make sure that it does not exceed 10% of the total number of its workers. In the event of violation of the Interim Provisions, the relevant labor department would order the violating company to rectify such violation. If the violating company does not rectify within a prescribe period, it will be imposed a fine of RMB5,000 to RMB10,000 for each person over the limit. In 2022, the total number of dispatched contract workers in our Company exceeded 10% of our Company's total workforce, and the total number of dispatched contract workers in our subsidiary Shuangdeng Front exceeded 10% of its total workforce. 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.

Taking into consideration (i) the written confirmation from the relevant labor administration authority, which is the competent regulatory authority to give such confirmation as advised by our PRC Legal Advisor, that we had not been subject to material administrative penalties as a result of violating the applicable labor protection laws and regulations in the PRC; and (ii) as of the Latest Practicable Date, we had not been requested by the relevant labor administration authority to rectify such incident, and (iii) as advised by our PRC Legal Advisor, we have fully rectified the non-compliance incident since December 2022 and therefore, the risk of us being penalized is remote as confirmed by our PRC Legal Advisor. Our Directors are of the opinion that such incident will not have a material adverse impact on our business or results of operations.

Social Insurance and Housing Provident Fund Contributions

We are required to contribute to social insurance and housing provident funds for our employees based in China under applicable PRC laws and regulation. 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, and we did not make full social insurance and housing provident fund contribution for certain employees in strict compliance with relevant laws and regulations. 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.

We were unable to make full social insurance and housing provident fund contributions for such employees primarily because (i) some employees were new hires and could not complete the social insurance and housing provident fund payment procedures in time during the month; and (ii) certain of our employees were not willing to bear the costs associated with 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 the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Regulations on Management of Housing Fund (《住房公積金管理條例》), 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. We estimate that in the event that we are ordered to make up for the social insurance outstanding contributions during the Track Record Period, the maximum late payment fee would be approximately RMB51.0 million. 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.

Considering that (i) we were not aware of any material employee complaints or claims with respect to inadequate social insurance and/or housing provident fund contributions; (ii) we have obtained confirmations from the relevant competent government authorities, as confirmed by our PRC Legal Advisors, confirming that no administrative penalty was imposed on us in relation to our social insurance and housing provident fund contributions during the Track Record Period; (iii) during the Track Record Period and up to the Latest Practicable Date, we had not received any administrative penalty in relation to social insurance and housing provident fund contributions, and we had not received any notice from relevant competent government authorities regarding any claim for inadequate contributions of our current and former employees,

nor any notifications from the relevant competent government authorities requiring us to pay the shortfalls, and (iv) based on the foregoing, our PRC Legal Advisors advised that (a) the risk of us being conducted centralized collection of our historical social insurance is remote, provided that there are no collective employee complaints and no significant changes in current laws, regulations, or the implementation of local policies, and (b) the risk of us being penalized due to our historical shortfall of contribution to social insurance and housing provident payment is remote, our Directors believe that the non-compliance during the Track Record Period in relation to the payment of social insurance and housing provident fund will not have material adverse effects on our production and business operations. We will continue to communicate with the relevant government authorities to ensure that the calculation and payment methods for our social insurance and housing provident fund contributions comply with the applicable requirements.

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. Nevertheless, we may be exposed to risks in relation to the aforementioned matters. For details, see "Risk Factors — Risks Relating to Doing Business in the Places Where We Operate — Certain of our practices with respect to social insurance and housing provident fund contribution may subject us to penalties" in this document.

COMPETITION

According to Frost & Sullivan, the global energy storage battery market is competitive. Within the global energy storage battery industry, we participated in the global telecom and data center energy storage battery market, as well as the global electrical energy storage market. In 2023, the total global added installed capacity for energy storage batteries in telecom and data center application reached 50.9 GWh, with the top five players holding a combined market share of approximately 39.9%. Our group achieved a shipment volume of 5.3 GWh, ranking the first among global telecom and data center energy storage battery providers, with the market share of 10.4%.

The global electrical energy storage market is characterized by a relatively fragmented competitive landscape, with more than 10,000 existing and startup companies in the industry, covering products including energy storage batteries, battery management systems, power conversion system, etc. For details, please see "Industry Overview" in this document.

We believe that our competitive position is underpinned by our strengths, including leading market position, exceptional R&D capabilities and technologies, excellent manufacturing and operational capabilities, strong brand power and experienced team and visionary management. For details, see "— Our Strengths" in this section. For risks involving the competitive advantages of our energy storage batteries and targeted markets, see "Risk Factors — Risks Relating to Our Business and Industry — 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" in this document.

AWARDS AND RECOGNITION

The following table sets out a summary of the major awards and recognition we have received during the Track Record Period.

No.	Year	Award or Recognition	Issuing Authority
1	2024	BNEF Energy Storage Tier 1 Manufacturer	BloombergNEF
2	2024	GGII Energy Storage Industry TOP 50 Company	Gaogong Industry Institute
3	2024	GGII Golden Globe Awards	Gaogong Industry Institute
4	2024	China IDC Industry Innovation Technology Product Award	China IDC Industry Annual Ceremony
5	2023	National Quality Benchmark	China Quality Association
6	2023	National Intelligent Manufacturing Pilot Demonstration Action – Excellent Scenario	Ministry of Industry and Information Technology
7	2023	Jiangsu Province First Batch of Innovative Management Intellectual Property International Standard Implementation Pilot Enterprises	Jiangsu Provincial Intellectual Property Office, Jiangsu Provincial Department of Industry and Information Technology
8	2023	2023 Provincial Industrial Internet Demonstration Project (Benchmark Factory Category)	Jiangsu Provincial Department of Industry and Information Technology
9	2023	2023 China Energy Storage Industry Best Battery Supplier Award	China International Energy Storage Conference
10	2023	2023 Greater Bay Area Data Center Product Technology Excellence Award	China Communications Industry Association Data Center Committee, Guangdong Province Data Center Industry Alliance, Shenzhen Digital Economy Industry Promotion Association

No.	Year	Award or Recognition	Issuing Authority
11	2022	"Seventh Batch of National 'Single Champion' Demonstration Enterprises (Communication Backup Power Supply Products)	Ministry of Industry and Information Technology
12	2022	First National Advanced Energy Storage Technology Innovation Challenge Benchmark Product Category Competition 2022 "Benchmark Product Award" – Based on Wind-cooled High Safety Technology Data Center Energy Storage System	Ministry of Industry and Information Technology Industry Development Promotion Center
13	2022	Jiangsu Province Innovative Leading Enterprise	Jiangsu Provincial Science and Technology Department
14	2022	National Intellectual Property Demonstration Enterprise	National Intellectual Property Administration

SEASONALITY

We were not subject to material seasonality during the Track Record Period. For details, see "Financial Information — Major Factors Affecting Our Results of Operations — Fluctuation in Prices of Raw Materials" in this document.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

We seek to be a responsible corporate in fulfilling environmental, social and governance responsibilities by advancing the use of clean energy, supporting social causes and exploring ways to protect the environment. Our management prioritizes ESG matters, actively develops and enhances our operating procedures, and is focused on continual improvements in this area. We recognize the importance of robust ESG policies and practices in fulfilling our corporate mission and goals, which in turn drives enduring value for our stakeholders.

ESG Policy and Governance

We acknowledge our responsibility on environmental protection and social responsibilities and are committed to complying with the ESG reporting requirements upon **[REDACTED]**. We believe that it requires the collective effort from our Board to evaluate and manage material ESG issues. Therefore, our Board of Directors is responsible for (i) reviewing and approving our ESG development strategy and targets, major issues, management structure, and management systems, and (ii) reviewing our ESG report. Our Strategy Committee is responsible for (i) researching and formulating our ESG development strategy and targets, major issues, and management systems; (ii) identifying and controlling risks related to ESG daily management; (iii) guiding the daily implementation of ESG work; and (iv) reviewing and submitting our ESG report to the Board of Directors. Our ESG team is responsible for (i) implementing our ESG development strategy and goals, organizing and arranging the execution departments to implement ESG work, and supervising their ESG activities; (ii) preparing the ESG report; (iii) drafting ESG policy documents, related issues, phased work plans, and implementation schemes; and (iv) conducting ESG business training and tracking ESG policy requirements and trends.

We are formulating an ESG management mechanism to ensure comprehensive coverage of ESG work through multi-angle, multi-level specialized inspections, cross-checks, and supervisory inspections, effectively preventing and managing ESG risks.

We have also been prioritizing ESG topics including environment management capability, energy efficiency, GHG emission control, and product carbon footprint. We expect to update the mechanism and establish an ESG policy ("**ESG Policy**") in accordance with the standards of Appendix 27 to the Listing Rules to cover, among others, (i) the appropriate risk governance on ESG matters, (ii) ESG governance structure and ESG strategy formation procedures, (iii) ESG risk management and monitoring, and (iv) the identification of key performance indicators ("**KPIs**"), the relevant metrics and mitigating measures upon **[REDACTED]**.

In view of our current practice, our ESG policy will set out the respective responsibility and authority of different parties. We will also establish an ESG committee to implement the ESG Policy, formulate ESG-related goals and organize their implementation. The members of the ESG Committee will be appointed by our Directors and senior management and responsible for managing and supervising our ESG matters and providing advice and assistance to the Board.

The ESG Committee will be mainly tasked with several key roles:

- ***Strategy Advisement***. They assess our ESG-related activities based on policies, laws, standards, current trends, and the expectations of our stakeholders. They then advise the Board on setting our ESG strategy;

- ***Strategy Monitoring***. They track how well we are implementing our ESG strategies and achieving our goals by assessing how our ESG efforts are affecting stakeholders and suggests ways to improve our ESG initiatives; and

- ***Performance Evaluation***. Beyond assessing our ESG performance by communicating with stakeholders, we will hire external agencies to independently review our accomplishments in environmental areas, such as managing waste water, noise, air pollution, and our response to climate change.

We plan to set up metrics and targets for these ESG issues and to review our key ESG performance on a regular basis.

Environment Matters

During our production, waste water, waste gas and solid waste are regularly discharged. Our operations are therefore subject to numerous national and provincial environmental laws and regulations governing the discharge of waste water, gas emission, hazardous chemicals and waste management. For example, we are subject to, among others, the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and Law of the PRC on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》). For details, see "Regulatory Overview — Laws and Regulations Relating to Environmental Protection" in this document.

As advised by our PRC Legal Advisor, we had obtained all relevant pollutant discharged permits during the Track Record Period and up to the Latest Practicable Date and we were in compliance in all material respects with the relevant PRC environmental laws or regulations during the Track Record Period and up to the Latest Practicable Date. If our Group fails to comply with the relevant laws and regulations, we would be subject to fines, suspension of business or cessation of operations. For details, see "Risk Factors — Risks Relating to Our Business and Industry — Environmental, Social and Governance ("ESG") matters, and unsuccessful management of such matters may impose additional costs and expose us to new risks" in this document.

Our management focuses on ensuring that our production emissions, treatment of waste water, waste gas and solid waste are in compliance with the relevant regulations and policies of national and local governments.

We also perform regular maintenance on our production facilities to ensure the equipment and systems are in good working condition. Further, we have developed a manual of safety code which specified operational procedures during production. As to our future environmental protection plan, we will continue to adopt advanced technology to upgrade our environmental protection standard.

During the Track Record Period and up to the Latest Practicable Date, we had produced the following waste materials and put emphasize on enhancing resources utilization rate:

Waste Water

Waste water is generated during production in our production facilities. We prioritize water resource management and are committed to conserving water resources and ensuring full compliant waste water discharge during our production and operations. From waste water treatment and reuse to employee participation, we are dedicated to achieving sustainable water resource utilization. We have designated waste water treatment personnel who are required to understand the operational procedures and technical requirements of waste water treatment. They must wear appropriate protective equipment and receive relevant certifications before starting to work. In our waste water treatment areas, we display signs outlining the duties of the staff, waste water treatment processes, and emergency response plans for environmental safety incidents. We also require these areas to be kept clean, without unrelated items such as hoses, fire hoses, or submersible pumps present.

We closely monitor the waste water treatment process, requiring staff to maintain accurate daily records, including water quality testing results, chemical usage, discharge volumes, treatment and reuse amounts, and sludge production. Untreated waste water is strictly prohibited from being discharged. Before discharge, water samples must be sent to the monitoring center for analysis, and only after approval from higher management can the waste water be released. Monthly statistics are compiled on external waste water discharges.

Additionally, we have environmental inspectors who regularly patrol the plant to check for issues such as damaged pipes or facilities, cross-contamination of production waste water, or leaks entering rainwater or sewage systems. They also ensure that waste water collection tanks and pipes operate at low water levels to prevent overflow. We believe that through these concrete and effective measures, we will significantly improve water resource management efficiency and make a positive contribution to protecting precious water resources.

Waste Gas

Waste gas is generated at our production facilities. Our waste gas generated includes, among others, lead and its compounds, sulfuric acid fog, particulate matter and non-methane total hydrocarbons. We require that there are no unrelated items around the waste gas treatment facilities, and no gas or liquid leaks from any production equipment. Our environmental specialists are responsible for daily inspections and regular maintenance of the waste gas treatment systems, ensuring immediate repair or replacement if any issues are detected. Specifically, the water in waste gas treatment systems like shower and spray units must be regularly cycled and replaced to prevent buildup. Dust collection facilities, such as bag and cartridge filters, must have no dust leaks at the discharge points. The pH value of the water used in acid-alkali scrubbers is controlled between 10 and 12. All activities, such as water changes,

bag replacements, and chemical additions, are documented. Additionally, our environmental specialists conduct comprehensive self-monitoring of all active lead gas and lead dust emissions once a month.

Solid Waste

We generate solid waste in our production. The solid waste we generated includes, among others, lead-containing waste (waste lead residue, dust collector, lead sludge), lead-containing waste packaging, waste lead batteries, household garbage and NMP waste liquid. We strictly adhere to environmental protection laws, regulations, and requirements applicable to its operations. We have established effective management systems for solid waste generated during production and operations, carrying out stringent pollutant management. We classify solid waste into two categories based on its harmfulness: general waste and hazardous waste. Each type has its own specific labeling and disposal methods. We store general waste separately according to its characteristics and assign dedicated personnel for each category. We strictly follow storage requirements to prevent scattering, leakage, rain exposure, and seepage. For hazardous waste, storage areas must have hardened, corrosion-resistant floors without cracks or damage, and emergency drainage channels must be in place to collect runoff into waste water tanks. Further, we have designated personnel who regularly inspect the generation, storage, and transfer of hazardous waste, with the inspection results recorded in the hazardous waste management log. If hazardous waste is lost or stolen, the responsible staff must promptly investigate the cause, take appropriate measures to prevent pollution incidents, and report to the quality control department. We set annual pollutant management targets and take proactive reduction measures.

Risks Related to the Environment and Climate

We recognize the potential financial and reputational risks related to the environment, including those stemming from adherence to prevailing environmental regulations and stringent standards. For example, China's carbon neutrality objective established in 2020, which aims to have CO_2 emissions peak before 2030 and achieve carbon neutrality before 2060, may lead to increased costs related to energy procurement, as we may be required to incur transition costs in procuring green energy that can be more expensive than energy generated from conventional sources, or bear the costs of purchasing or upgrading our equipment.

We also recognize a certain level of threat that climate-related issues pose to us. Actual and potential climate-related risks identified by us can be classified into two major categories: physical risk and transitional risk. We define physical risks as risks that potentially cause physical impact to us. We believe that climate-related issues may bring about the physical risk of increasingly severe extreme weather events, such as more frequent storms, typhoons and flooding. As a result, we may be impacted by higher operation and maintenance costs, as well as more insurance premium payable for protection, and the health and safety of employees may also be endangered. In addition, transitional risks may emerge due to climate change and climate-related issues as consumers shift their preferences while regulators require more extensive ESG-related disclosures. Such transitional risks may result in additional operating expenses. With regard to increasing responsibilities on ESG-related disclosure, we may be impacted by increased cost to execute more stringent monitoring measures on pollutant emissions and resource consumption.

- In response to such potential risks, we plan to take measures as follows: to integrate solar power in our production bases and supply chain systems to reduce cost of energy use;

- to introduce energy-saving equipment, and formulate plans to reduce process energy consumption, in turn reducing energy consumption.

Save for the above, up to the Latest Practicable Date, we were not aware of other actual environment or climate-related risks or damages that could adversely affect our business, strategy and financial performance.

Opportunities Related to the Environment and Climate

As an energy storage batteries manufacturer, we believe the increasing awareness of environmental and climate-related issues provide abundant opportunities for our growth.

In addition, as our business aligns with international efforts to reduce carbon emissions and store green energy, our energy storage batteries can be deemed as a preferred solution to reduce carbon footprints, creating substantial growth prospects for our company. Given that we have been continually enhancing the efficiency and reducing the cost of our energy storage batteries, we expect to make energy storage products more accessible and affordable.

Metrics and Targets on Environmental Impacts

To better assess and manage our environmental footprint, we closely track various metrics related thereto in our production plants. The main metrics concerned, are as follows:

			For the year ended December 31,		
			2022	2023	2024
Energy	Electricity (kWh)		134,165,922	134,545,728	153,998,181
	Steam (t)		99,110	115,629	107,682
Air	Greenhouse Gas Emissions (tons CO_2 equivalent)	Scope 1	4,632	3,471	3,152
		Scope 2	121,725	121,101	121,369
		Scope 3	35,824[(1)]	602,725[(2)]	608,086
Water	Water consumption (t)		394,302	472,263	529,578
	Sewage discharge (t)		59,223	59,056	108,416
	Reuse volume		335,079	413,206	421,162
Solid Wastes	Hazardous waste (t)		3,620	4,672	6,661
	Recyclable waste (t)		3,604	4,656	6,631

Notes:

(1) Calculate based on emissions generated internally by our Group (mainly GHG emissions from business travel).

(2) Calculate based on emissions generated internally by our Group and by third parties in our supply chain (including GHG emissions from business travel, upstream and downstream logistics transportation, product manufacturing and usage).

From 2022 to 2024, our production increased while overall energy consumption and emissions increased, primarily due to the development and expansion of our operation. In the future, we will uphold the principles of environmental friendliness and green development, promoting green production and reducing energy consumption and emissions.

The upward trend of our GHG emissions from 2022 to 2023 was primarily due to business growth, such as production expansion and increased engagement with suppliers and customers. As we enhance our ESG policy and increasingly put emphasize on green production, our GHG emissions remain stable in 2024.

In addition, the significant increase of Scope 3 GHG emissions in 2023 was primarily because we adopted a more stringent statistics standard. In 2022, our Scope 3 GHG emissions were calculated mainly based on emissions generated from internal activities such as business travel, without including third-party emissions. However, starting from 2023, we expanded our tracking to include GHG emissions from various stages of the supply chain by engaging with upstream and downstream third parties, allowing for more comprehensive carbon emission monitoring. This also reflects our growing commitment to addressing greenhouse gas emissions.

According to Frost & Sullivan, these metrics and measurements are in line with the norm of the energy storage industry, and our metrics are in the average range. However, we strive to further reduce such emissions and discharges. By 2030, we plan to:

- Decrease our GHG gas emission per million RMB revenues by 40%;
- Increase our electricity consumption from renewable resources by 40%; and
- Decrease our water consumption per million RMB revenues by 30%.

In a concerted effort to advance our "green office" initiative, aiming at reducing resource consumption and enhancing ecological and environmental protection, we initiated green and low-carbon office practices.

Measures on Managing Environmental Risks

Our approach to environmental risk management is proactive, focusing on incorporating green and low-carbon practices from the onset of our operations. Therefore, we adopt various measures in planning and building facilities that are sustainable and eco-friendly. We have obtained ISO50001 and ISO14064, which testify to our environment management capability, efficiency, GHG emission control, and product carbon footprint. This systematic approach enables continuous enhancement of our environmental management capabilities and compliance with recognized environmental standards.

We place significant emphasis on environmental pollution and climate change. We strictly comply with environmental protection laws and regulations, adhere to industry standards, and strengthen pollution control while promoting clean production and sustainable development. Subsidiaries that emit pollutants register and report to relevant governmental authorities pursuant to laws and regulations, and a dedicated department within our Group monitors and inspects the implementation of environmental policies and emissions. Additionally, we actively integrate green development into our corporate governance, advancing energy conservation and emissions reduction. We have established a zero carbon action office, responsible for setting long-term carbon reduction plans and annual targets, monitoring and reporting on the execution of these plans, addressing any issues promptly.

In addition, we have implemented a series of measures in our daily operations to mitigate environmental risks and fulfill our targets.

- **GHG emission.** Since 2022, we have conducted an inventory of greenhouse gases within the production boundaries of the organization in accordance with ISO14064 standards. We prepare greenhouse gas inventory reports and disclose the inventory results in its social responsibility report.

- **Energy consumption.** We prioritize energy management by implementing energy-saving measures across all production stages, achieving ISO50001 certification, and adhering to its standards. This includes establishing energy policies, conducting energy audits, and continuously improving through systematic energy management frameworks. We optimize production by analyzing processes, upgrading to efficient equipment, and utilizing energy recovery systems. Additionally, renewable energy sources such as solar and wind are adopted, and green power is prioritized. Employee involvement is encouraged through awareness campaigns, training, and incentive mechanisms for energy-saving suggestions.

- **Photovoltaic Power Generation.** As a producer and integrator of energy storage products, we have built photovoltaic panels on 50,000 square meters of factory roofs.

- **Water consumption and waste water discharge.** We have sewage treatment systems and initial rainwater collection systems. By adopting multi-stage treatment processes, we have reduced the concentration of pollutants in the discharged water. Over 90% of the treated water is reused, and any water that needs to be discharged is sampled and subjected to chemical analysis. It can only be discharged after passing the analysis and receiving approval from the responsible supervisor.

- **Hazardous substances**. With the rapid development of the new energy battery industry, our company increasingly relies on chemicals in the production process. As an industry leader, we are committed not only to providing high-performance products but also to ensuring employee safety, protecting the environment, and promoting sustainable industry development. Effective chemical management is the cornerstone of achieving these goals, covering every aspect from procurement, storage, and use of chemicals to waste disposal. We revise our environmental emergency response plan every three years and organize drills for relevant personnel to enhance their emergency response capabilities and prevent environmental pollution incidents. Regarding environmental facilities, we ensure the classification and treatment of pollutants. We have invested great efforts and expenditure to integrate assembly production lines and purchase automated assembly lines, utilizing robots instead of manual labor, which not only improves production efficiency but also reduces environmental pollution risks.

- **Waste gas**. To reduce the negative impact of waste gas, we have trained environmental management personnel with qualifications. We have installed online monitoring devices for pH, flow meters, and automatic total lead detection, all of which are connected to the environmental protection system for monitoring. We have formulated enterprise environmental management systems and inspection methods. We accept supervision and random inspections by environmental protection departments, and disclose environmental information to the public.

  We have upgraded the lead dust collectors to filter + spray tertiary treatment processes. In the acid mist-producing formation process, we have installed acid mist absorption treatment devices, which treat the emissions through acid-base neutralization, with all emissions discharged through high chimneys.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance in relation to health, work safety, social or environmental regulations which had materially and adversely affected our financial condition or business operations.

Sustainable Supply Chain Management Policy

We actively promote the construction of green supply chains. Taking advantage of self-generated products, we establish green supply chains, and actively influence suppliers to improve the environmental friendliness of products and reduce carbon emission. In response to the national "dual carbon" policy, we set carbon reduction targets to increase the proportion of renewable energy use.

In selecting our suppliers, we take into consideration their carbon footprints and their undertaking of social responsibility. When selecting suppliers, we require new suppliers to have operated lawfully for at least two consecutive years without any records of unethical business practices. The suppliers must pass at least ISO 9001 quality management system certification and meet our standards for manufacturing process. We set in place a social responsibility assessment system for suppliers, which is standardized, transparent, cooperative, reciprocal, long-standing and forward-looking. Several red lines of social responsibilities have been specified for our suppliers, which cover the prohibitive rules on child labor, forced labor, bribery and extortion, and the occurrence of major safety, fire and environmental protection incidents. Violation of these red lines will be punished according to the severity by restricting the procurement amount or terminating the cooperation. We conduct carbon footprint and social responsibility assessment for all new suppliers, so as to assess their capability to comply with laws, regulations and sustainable development agreements. High-risk suppliers which fail the assessment will not be accepted, and we will continue to supervise and assist our suppliers in rectifying any deficiency we identified and continuously improving their ESG management framework.

We also educate our suppliers on various green strategies and have communications with our suppliers regarding sustainable development and social responsibility from time to time to guide our suppliers to reduce their carbon footprints.

In terms of supply chain management, we require materials supplied by all of our suppliers to comply with requirements of Restriction of Hazardous Substances Directive, or ROHS, and Registration, Evaluation, Authorization and Restriction of Chemicals, or REACH, satisfy the environmental directives or certifications required by national and local regulations and the government, and meet our environmental directive requirements and the above-mentioned green design requirements. Suppliers also need to provide material testing reports on hazardous substances restricted by environmental protection regulations according to our requirements and we periodically review the testing report of our suppliers.

Production Policy

We are dedicated to reducing waste, pollution and energy consumption in our production process. All our subsidiaries have set up effective waste treatment for water, gas and solid waste. Through regular monitoring and third-party evaluations, we ensure that the discharge of waste water, waste gas and solid waste during the manufacturing and operation process meets the requirements under national and local laws and regulations.

In addition, we have established internal regulations and measures to manage the production process, aiming at preventing and reducing workplace accidents, protecting employee safety and health, safeguarding our workplace assets and improving production efficiency and quality. We have a dedicated safety management team responsible for overseeing and evaluating production safety. We also require subsidiary managers to regularly visit the site to assess safety conditions, promptly eliminate hazards, and approve major disaster prevention and response plans. In the event of a major safety accident, we hold the responsible personnel, department heads and supervising managers accountable. To promote safety, we also have a special safety award, recognizing subsidiaries and managers who effectively uphold safety responsibilities and avoid safety incidents with biannual commendations.

Product Safety and Products Recycling Policy

We require that products manufacturing processes comply with all applicable legal regulations and standards, ensuring that our products pose no harm or risk to customers. During product development, we identify relevant safety features and establish corresponding standards and control measures. On-site inspectors and operators monitor and manage product safety features throughout the production process according to planned control requirements. If any irregularities are detected during product inspection, the production department will promptly report the issue, halt production, and address it accordingly.

The products we manufacture are recyclable. We have built a comprehensive after-sale recycling network. Customers can recycle and trade in used products to us. We also recycle defective batteries from the production line.

Improper transfer or disposal of used lithium-ion batteries can result in leakage, fire or explosion, posing risks of personal injury and environmental pollution. Improper disposal of lead-acid batteries can lead to acid leakage, causing environmental harm. We have always placed great emphasis on the storage, disposal and recycling of used batteries, with dedicated personnel handling related matters. Our battery products are packaged and stored in a well-ventilated, dry area, and we ensure that the storage area is kept away from flammable materials and heat sources. New battery products and used batteries are typically stored in separate zones to avoid confusion. After collecting used lithium-ion batteries, we first discharge them to ensure their energy is depleted, reducing the risk of accidents during storage and transportation. The used batteries are temporarily stored in a dry, low-temperature warehouse before being transferred to a specialized third-party battery recycling company for proper handling. Third-party recycling companies handling used lead-acid batteries utilize automatic disassembly equipment to dismantle and categorize the batteries. The dismantled lead plates, lead slag, and lead-contaminated materials are then smelted in high-temperature furnaces using additives such as anthracite to produce crude lead. This crude lead is further refined by adding trace elements in alloy or electrolysis pots to create lead ingots. We regularly select third-party recycling companies through a bidding process, prioritizing those that are fully certified and whose recycling processes are environmentally friendly. In 2023, we recycled approximately 2,972 tons of lead-acid batteries and 88 tons of lithium-ion batteries and cooperated with battery recycling companies to dismantle disposed batteries for resource reuse, energy conservation and emission reduction.

Social Matters

Regarding social matters, we prioritize creating a fair and supportive work environment for our employees. Our policies on compensation, dismissal, equal opportunities, and anti-discrimination are transparent and in compliance with applicable laws and regulations, and we conduct induction training for every employee and keep them informed of our systems and policies to keep them abreast with their relevant rights and duties in our Group. We hire employees based on their merits and maintain a corporate policy that promotes equal opportunities and fair compensation for all. If employees experience discrimination, we encourage them to seek immediate assistance, allowing us to promptly investigate and address the situation. Additionally, we offer training programs to keep our employees updated on industry and regulatory developments. During the COVID-19 pandemic, we took measures to ensure a safe work environment by implementing company-wide self-protection policies for our employees. We also made work-from-home accommodations to applicable employees. We also organize community outreach events, where our employees could promote health and wellbeing through taking part in voluntary blood donation, and provide support and aid to other employees facing hardships.

Anti-corruption and Anti-bribery

We strictly abide by the laws and regulations related to anti-corruption, including but not limited to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) and the Criminal Law of the PRC (《中華人民共和國刑法》). We uphold a high standard of integrity and have zero tolerance for corruption or bribery. We promote clear work ethics to employees, and strictly prohibit bribery, extortion, fraud, money laundering and other unethical behaviours, such as gambling, misappropriation of our Group's assets, provision or acceptance of gifts or other improper benefits. We distribute our code of conduct, which includes anti-corruption and anti-bribery provisions, to all employees on the initial orientation and require them to comply with our code of conduct. We have established various working committees with members from different departments responsible for receiving reports and complaints on unethical work behaviours and to prepare written records accordingly to report to the management or the Board in a timely manner. We make our internal reporting channel open and available for our staff to report any suspected bribery and corruption conduct. Further, we developed a whistle-blower program on a group level to ensure that such prohibited conduct would be reported without fear of retaliation, investigated by an independent third party, and that the identity of the whistle-blower along with other sensitive information will be kept confidential. We also provide regular anti-corruption and anti-bribery compliance trainings for employees so as to cultivate a good compliance culture.

Employment

Our Group has established rules and procedures of, among others, recruitment, job promotion, compensation, benefits, rest periods, and dismissal, etc., to protect our employees' rights. During recruitment and job promotion, our Group follows the principle of "selection on merit", taking into account the performance, work experience and capability of the applicant or employee. Our Group advocates a diverse and equal workforce culture by ensuring that applicants and employees are not discriminated against on the basis of gender, age, race, family status or physical disability. Our Group determines employees' compensation packages on the basis of work performance and the market standard of remuneration. All of these measures aim to provide our employees with a fair work environment.

Our Directors confirm that our Group does not employ children and prohibits any form of forced labor within our operations. Our Directors confirm that our Group has complied in all material aspects with the laws and regulations relating to child and forced labor. As an additional measure to avoid violating labor laws and regulations, our Group inspects all applicants' identity documents during the recruitment process. Our Directors confirm that if any child labor or forced labor business is discovered, our Group will seek legal advice and take corrective measures immediately.

Occupational Health and Safety

We prioritize occupational health and safety and adhere to PRC laws and regulations to safeguard employee well-being and prevent workplace hazards. We have obtained the ISO45001 certification, signifying our ability to meet international standard for health and safety at work. In addition, we implement comprehensive preventive measures to ensure the safety and health of our employees. We conduct regular monitoring of workplace safety, and promptly address any identified safety hazards. To prevent workplace accidents, we monitor emissions of harmful substances such as waste gases, solid waste, and noise within our facilities to ensure they do not adversely impact employee health. We also provide employees with protective equipment, such as specialized work uniforms and insulated gloves, to ensure safety during their work activities. During the Track Record Period, all of our employees working in positions with occupational disease risks participated in medical examination, and we had zero fatality due to work-related injuries. Our health and safety management system, certified by third-party institutions, includes comprehensive policies regarding precenting, recording and handling accidents and meets GB/T45001 standards. We consistently perform safety reviews, maintaining a level II safety production standardization certificate, with incident rates below the industry average, as confirmed by Frost & Sullivan. To ensure observance of our occupational health and safety guidelines, we conduct pre-job training, environmental safety training and assessment for all new employees.

DATA PRIVACY AND INFORMATION SECURITY RISK MANAGEMENT

Data privacy and information security is one of our top priorities. In the course of conducting our business, the personal data we collect mainly pertains to the collection of employee information, customer and supplier contact information, and other data necessary for operation and management. Except for collecting contact information from our client through our official website, we do not engage in collecting personal information through any other public channels such as operational websites, apps, or mini-programs on internet platforms.

We have implemented robust protective measures for the personal data we collect. These measures include, among others:

- establishing internal control systems such as "Data Security Management Measures" and "Data Classification and Grading Management Measures" to stipulate our management of data confidentiality, data approval authority, data usage rights, data classification and grading, data security responsibilities, and we have effectively implemented and executed these systems;

- minimizing the access and circulation rights of private information;

- adopting technical measures such as encryption and anti-leakage to protect information; and

- establishing an network isolation system to ensure information security.

We believe data security requires the combined capabilities of both top-notch systems and vigilant users of such systems. Therefore, we provide information securities trainings to employees to increase their compliance awareness. We have an emergency response mechanism for information security and we carry out emergency drills on a regular basis and improve our information management system accordingly.

With the assistance of our PRC Data Compliance Counsel, we completed the following rectification in data privacy and information security:

- enhanced the notifications related to the processing of personal information, including employee information, customer contact information, and supplier contact information;

- improved the management documents related to cybersecurity, data security, and personal information protection; and

- strengthened the internal management structure and designated responsible personnel in terms of cybersecurity, data security, and personal information protection. Including assisting to set up a data security management office, assisting appointing data security officer, and personal information protection officer.

Before completing the above rectifications, we were not subject to any administrative penalties or legal disputes arising from data privacy and data security issues.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material information leakage or loss of personal, operating or transaction data. As confirmed by our PRC Data Compliance Counsel, for the period from January 1, 2022 to the Latest Practicable Date, after the completion of rectification, we are in compliance with the applicable PRC laws and regulations relating to the cybersecurity and data security, including the collection or use or of personal information.

INTELLECTUAL PROPERTY

Owing to the efforts of our R&D team, we have been able to develop and own a series of important intellectual properties and several key technologies. For details, see "— Research & Development — Our Key Technology" in this section.

As of the Latest Practicable Date, we possessed 337 patents (106 of which are inventions), six domain names, 63 trademarks and 39 computer software copyrights in China, as well as 37 overseas registered trademarks as of the same date.

We recognize the utmost importance of intellectual property rights for our success in the energy storage market. Therefore, we rely primarily on a combination of trade secrets, patents, copyrights, trademarks, unfair competition laws and contractual rights, such as confidentiality agreement, to protect our intellectual property rights. Certain employees are required to sign an integrity agreement when they join us, and our key management personnel and certain employees holding key positions are also required to enter into a non-compete agreement with us. We also strictly control access to our facilities via a secure entry system, and we adopt comprehensive policies to prevent unauthorized communication of sensitive information to external parties. In some commercial agreements we enter into, we generally state all rights and obligations regarding the ownership and protection of intellectual properties. In addition, we have taken the following key measures to protect our intellectual property rights: (i) implementing internal policy to establish robust management over our intellectual property rights, (ii) timely registration, filing and application for ownership of our intellectual properties, (iii) actively tracking the registration and authorization status of intellectual properties and take action in a timely manner if any potential conflicts with our intellectual properties are identified, and (iv) engaging professional intellectual property service providers.

As of the Latest Practicable Date, we had not been subject to any material disputes or claims for infringement upon third parties' intellectual property rights in the PRC.

INSURANCE

As of the Latest Practicable Date, we maintained applicable social insurance in the PRC, and we also maintained insurance on properties, equipment, environmental liability and product liability insurance. Our Directors are of the view that our insurance coverage is sufficient and adequate and is in line with customary industry practices. Nevertheless, we may be exposed to claims and liabilities which exceed our insurance coverage. See "Risk Factors — Risks Relating to Our Business and Industry — 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" in this document.

PROPERTIES

We own and lease certain properties in China primarily to be used as production facilities and offices. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our interests in land or buildings, for the reason that, as of the Latest Practicable Date, none of our properties has a carrying amount of 15% or more of our consolidated total assets.

Land Use Right and Owned Properties

As of the Latest Practicable Date, we had the right to use 15 parcels of land in Jiangsu, Inner Mongolia and Hubei, with a total site area of 894,560.84 sq.m., which were primarily used for industrial purposes. As of the Latest Practicable Date, we have obtained real estate ownership certificates for all the aforementioned parcels of land.

As of the Latest Practicable Date, we owned ten properties in Jiangsu, Inner Mongolia and Hubei, with an aggregated GFA of approximately 380,658.26 sq.m., which were primarily used for daily operation and production. Among them, we have obtained property ownership certificates for all buildings.

Leased Properties

As of the Latest Practicable Date, we leased 42 properties in mainland China with a gross floor area of approximately 14,437.51 sq.m.. The leased properties are used as offices, dormitories for our employees and warehouses. We do not foresee any impediments in renewing our existing lease.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date we had not obtained proper lease registration for 20 leased properties. As advised by our PRC Legal Advisor, the non-registration of the property lease will not affect the validity of the lease contract and the legal use of the leased property, 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. The maximum penalty we may receive due to such non-compliance is RMB200,000 and as advised by our PRC Legal Advisor, the likelihood that we will receive such penalty is remote. Considering the above and based on our PRC Legal Advisor's opinion, our Directors are of the view that the failure to register the lease contract does not have a material adverse impact on our business and operation results.

We have not received 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. Therefore, as confirmed by our Directors and advised by our PRC Legal Advisor, this will not have a material adverse impact on our production and business operations. As the lessee, we face the risk of being unable to continue using the relevant leased properties, but there is no risk of being penalized, as advised by our PRC Legal Advisor.

Furthermore, one of our leased properties is being used for a purpose different from that stated in the title certificate. These leased property is not our primary site for business operation or production, and we have not received any notice prohibiting us from continuing to use this property under the lease agreement. Therefore, as confirmed by our Directors and advised by our PRC Legal Advisor, this discrepancy will not have a material adverse impact on our production and business operations. As the lessee, we face the risk of being unable to continue using the relevant leased properties, but there is no risk of being penalized, as advised by our PRC Legal Advisor.

For details, see "Risk Factors — Risks Relating to Doing Business in the Places Where We Operate — Our legal right to use certain leased properties could be challenged or restricted", "Risk Factors — Risks Relating to Doing Business in the Places Where We Operate — We may be subject to fines for failure to register some of our leases" and "Risk Factors — Risks Relating to Doing Business in the Places Where We Operate — We may be subject to fines for using leased properties in a manner that differs from the purpose of title certificate" in this document.

CERTIFICATES, LICENSES AND PERMITS

As advised by our PRC Legal Advisor, our Directors confirm that, during the Track Record Period and as of the Latest Practicable Date, we had obtained all material certificates, licenses, approvals and permits from relevant authorities for our operations in material respects. We renew all such material permits and licenses from time to time to comply in all material aspects with the relevant laws and regulations. The successful renewal of our existing licenses, permits and approvals will be subject to our fulfillment of relevant requirements. We had not experienced any material difficulty in renewing such certificates, permits and licenses during the Track Record Period and up to the Latest Practicable Date and we do not expect any material difficulties in such renewals so long as we comply with the applicable requirements and conditions set by the relevant laws and regulations. As of the Latest Practicable Date, we were not aware of any reason that would cause or lead to the non-renewal of our existing licenses, permits and approvals.

The following table sets forth a list of our material certificates, licenses, and permits:

Holder	License/Permit/Approval	Issue Authority	Expiration Date
Shuangdeng	Pollutant Emission Permit	Taizhou City Ecology and Environment Bureau	August 12, 2027
	Safety Production Standardization Certificate (Level II)	Jiangsu Provincial Emergency Management Department	March 20, 2026
Shuangdeng Front . . .	Pollutant Emission Permit	Taizhou City Ecology and Environment Bureau	February 13, 2027

Holder	License/Permit/Approval	Issue Authority	Expiration Date
	Safety Production Standardization Certificate	Taizhou City Emergency Management Bureau	July 3, 2025
	Radiation Safety License	Taizhou City Ecology and Environment Bureau	May 30, 2026
Shuangdeng Runyoung	Pollutant Emission Permit	Xiangyang City Ecology and Environment Bureau	December 11, 2027
	Safety Production Standardization Certificate (Level III)	Xiangyang City Emergency Management Bureau	December, 2027
Shuangdeng Energy Storage	Pollutant Emission Permit	Xiangyang City Ecology and Environment Bureau Zaoyang Branch	May 15, 2029
	Radiation Safety License	Xiangyang City Emergency Management Bureau	December 3, 2028

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, financial condition, results of operations, reputation or compliance. During the same period, we were not involved in any non-compliance incidents which would, individually or in aggregate, have a material adverse effect on our business as a whole. As confirmed by our PRC Legal Advisor, our business operations had been carried out in compliance with applicable PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

From time to time, we may be involved in legal proceedings, investigations, administrative penalties or other claims or disputes arising in the ordinary course of our business. For details, see "Risk Factors — Risks Relating to Our Business and Industry — We may be involved in legal or other proceedings arising out of our operations from time to time and may face reputational risks and significant liabilities as a result" in this document.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established a comprehensive risk management and internal control process through which we address risks associated with business. We have put in place a set of operational risk analysis and response measures so as to achieve risk aversion, risk reduction and risk response by properly identifying, categorizing and analyzing various risks. In particular, we have adopted the following measures to mitigate the risks on bribery and corruption:

- a policy relating to anti-bribery and anti-corruption was issued by us. Our audit department is responsible for monitoring, accepting escalation, processing investigation and reporting of incompliance behavior including bribery and corruption;

- a whistle-blower mechanism was set up by us, including report channels (email), investigation procedures and responding to detected problems;

- a policy relating to control the risks of economic sanctions was issued by us. Our legal and business managers are responsible to review and control such risks and the policy also includes relevant implementation procedures; and

- compliance training is provided to all employees including new employees.

We have adopted, or expected to adopt, a series of changes in our internal control policies, programs and procedures to strengthen our risk management and internal control capability and prevent non-compliance event from happening. These measures include:

- the engagement of the Internal Control Consultant who performed a review on our internal controls over financial reporting in May 2024 and provided recommendation accordingly. We have adopted the corresponding remediation actions to improve our internal control system. The Internal Control Consultant performed a follow-up review with regard to those actions taken by us, and there was no further material finding identified in the design of internal control process of the follow up review;

- the regular training to be provided by external legal advisor to our Directors and senior management after **[REDACTED]** on the subject of compliance of relevant Listing Rules requirements and applicable PRC laws and regulations; and

- the establishment of our Audit Committee which comprised of three independent non-executive Directors to oversee our risk management and internal control systems, and review the financial statements of our Company from the perspective of compliance with applicable rules and regulations.