ZENERGY

# 江蘇正力新能電池技術股份有限公司
# Jiangsu Zenergy Battery Technologies Group Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

**Stock Code : 3677**

# GLOBAL OFFERING

Joint Sponsors, Joint Representatives, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CICC 中金公司 | 招銀国际 CMB INTERNATIONAL

Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

建银国际 CCB International | 興證國際 INDUSTRIAL SECURITIES INTERNATIONAL

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

華福國際 HUAFU INTERNATIONAL | ICBC 工银国际 | 光銀國際 CEB INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

中銀國際 BOCI | 農銀國際 ABC INTERNATIONAL | 百惠金控 PATRONS

Joint Lead Managers

富途證券 | 老虎證券 | 利弗莫尔证券 LIVERMORE HOLDINGS LIMITED

**IMPORTANT: If you are in any doubt about any of the contents of this Prospectus, you should seek independent professional advice.**

ZENERGY

# Jiangsu Zenergy Battery Technologies Group Co., Ltd.
# 江蘇正力新能電池技術股份有限公司

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

## GLOBAL OFFERING

| | | |
|---|---|---|
| **Number of Offer Shares under the Global Offering** | : | **121,523,700 H Shares (subject to the Over-allotment Option)** |
| **Number of Hong Kong Offer Shares** | : | **12,152,400 H Shares (subject to reallocation)** |
| **Number of International Offer Shares** | : | **109,371,300 H Shares (subject to reallocation and the Over-allotment Option)** |
| **Offer Price** | : | **HK$8.27 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)** |
| **Nominal value** | : | **RMB1.00 per H Share** |
| **Stock code** | : | **3677** |

***Joint Sponsors, Joint Representatives, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers***

CICC 中金公司　　招銀国际 CMB INTERNATIONAL

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富途證券　　老虎證券　　利弗莫尔证券 LIVERMORE HOLDINGS LIMITED

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix V to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this Prospectus or any other documents referred to above.

The Offer Price will be HK$8.27 per Offer Share. Applicants for Hong Kong Offer Shares are required to pay, on application, the Offer Price of HK$8.27 for each Hong Kong Offer Share together with brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%.

The Joint Representatives, on behalf of the Underwriters, may, where considered appropriate and with the Company's consent, reduce the number of Hong Kong Offer Shares being offered under the Global Offering and/or the Offer Price stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, an announcement will be published on the website of our Company at **www.zenergy.cn** and on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the offer will be canceled and relaunched at the revised number of Offer Shares and/or the revised Offer Price and the requirements under Rule 11.13 of the Listing Rules (which include the issue of a supplemental or a new prospectus (as appropriate)), as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (for themselves and on behalf of the Underwriters) if certain events occur prior to 8:00 a.m. on the Listing Date. Please refer to the section headed "Underwriting" in this Prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Prospectus, including the risk factors set out in the section headed "Risk Factors."

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S.

**ATTENTION**

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this Prospectus to the public in relation to the Hong Kong Public Offering.

This Prospectus is available at the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.zenergy.cn**. If you require a printed copy of this Prospectus, you may download and print from the website addresses above.

April 3, 2025

**IMPORTANT NOTICE TO INVESTORS:**

**FULLY ELECTRONIC APPLICATION PROCESS**

**We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.**

**This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the *"HKEXnews > New Listings > New Listing Information"* section, and our website www.zenergy.cn. If you require a printed copy of this prospectus, you may download and print from the website addresses above.**

To apply for the Hong Kong Offer Shares, you may:

(a) apply online through the **White Form eIPO** service at **www.eipo.com.hk**; or

(b) apply electronically through the **HKSCC EIPO** channel and cause HKSCC Nominees to apply on your behalf by instructing your broker or custodian who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application through the **White Form eIPO** service or the **HKSCC EIPO** channel service must be for a minimum of 300 Hong Kong Offer Shares and in one of the numbers set out in the table.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

**Jiangsu Zenergy Battery Technologies Group Co., Ltd.**

**(HK$8.27 per Hong Kong Offer Share)**

**NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS**

| No. of Hong Kong Offer Shares applied for | Amount payable[2] on application | No. of Hong Kong Offer Shares applied for | Amount payable[2] on application | No. of Hong Kong Offer Shares applied for | Amount payable[2] on application | No. of Hong Kong Offer Shares applied for | Amount payable[2] on application |
|---|---|---|---|---|---|---|---|
| | *HK$* | | *HK$* | | *HK$* | | *HK$* |
| 300 | 2,506.02 | 9,000 | 75,180.63 | 90,000 | 751,806.27 | 1,500,000 | 12,530,104.43 |
| 600 | 5,012.04 | 12,000 | 100,240.84 | 105,000 | 877,107.31 | 1,800,000 | 15,036,125.31 |
| 900 | 7,518.06 | 15,000 | 125,301.05 | 120,000 | 1,002,408.35 | 2,100,000 | 17,542,146.20 |
| 1,200 | 10,024.08 | 18,000 | 150,361.25 | 135,000 | 1,127,709.39 | 2,700,000 | 22,554,187.96 |
| 1,500 | 12,530.10 | 21,000 | 175,421.46 | 150,000 | 1,253,010.44 | 3,300,000 | 27,566,229.74 |
| 1,800 | 15,036.12 | 24,000 | 200,481.67 | 300,000 | 2,506,020.89 | 3,900,000 | 32,578,271.50 |
| 2,100 | 17,542.15 | 27,000 | 225,541.88 | 450,000 | 3,759,031.32 | 4,500,000 | 37,590,313.28 |
| 2,400 | 20,048.17 | 30,000 | 250,602.09 | 600,000 | 5,012,041.76 | 5,400,000 | 45,108,375.94 |
| 2,700 | 22,554.18 | 45,000 | 375,903.14 | 750,000 | 6,265,052.21 | 6,076,200[1] | 50,756,947.00 |
| 3,000 | 25,060.21 | 60,000 | 501,204.18 | 900,000 | 7,518,062.65 | | |
| 6,000 | 50,120.41 | 75,000 | 626,505.22 | 1,200,000 | 10,024,083.55 | | |

(1) Maximum number of Hong Kong Offer Shares you may apply for.

(2) This is 50% of the Hong Kong Offer Shares initially offered, and the amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the H Share Registrar (for applications made through the application channel of the H Share Registrar) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

*If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.zenergy.cn**.*

Hong Kong Public Offering commences . . . . . . . . . . . . . . . . . . . . . .9:00 a.m. on Thursday, April 3, 2025

Latest time for completing electronic applications under the **White Form eIPO** service through the designated website **www.eipo.com.hk**[(2)] . . . . . . . . . . . . . . . . . . . . . . . . . .11:30 a.m. on Wednesday, April 9, 2025

Application lists of the Hong Kong Public Offering open[(3)] . . . . .11:45 a.m. on Wednesday, April 9, 2025

Latest time for (a) completing payment for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC[(4)] . . . . . . . . . . . . . . . . . . .12:00 noon on Wednesday, April 9, 2025

If you are instructing your broker or custodian who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you are advised to contact your broker or custodian for the earliest and latest time for giving such instructions which may be different from the latest time as stated above, as this may vary by broker or custodian.

Application lists of the Hong Kong Public Offering close[(3)] . . . .12:00 noon on Wednesday, April 9, 2025

Announcement of the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.zenergy.cn** no later than[(5)] . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .11:00 p.m. on Friday, April 11, 2025

Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including:

- the announcement to be posted on websites of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.zenergy.cn**[5] no later than . . . . . . . . . 11:00 p.m. on Friday, April 11, 2025

- from the designated results of allocations for the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function . . . . . . . . . . . . . . . . . from 11:00 p.m. on Friday, April 11, 2025 to Thursday, April 17, 2025

- from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m . . . . . . . . . . . . . . . . . . . . . . . . . from Monday, April 14, 2025 to Thursday, April 17, 2025

Dispatch of H Share certificates or deposit of H Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[6] . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .Friday, April 11, 2025

**White Form** e-Refund payment instructions/refund cheques in respect of wholly or partially successful applications or wholly or partially unsuccessful applications to be dispatched/collected on or before[7][8] . . . . . . . . . . . . . . . . . . . . . .Monday, April 14, 2025

Dealings in the H Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . . . . . . . . . . . . . . . . . .Monday, April 14, 2025

*Notes:*

(1) All dates and times refer to Hong Kong dates and times.

(2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is/are a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, April 9, 2025, the application lists will not open and will close on that day. For further details, please see the section headed "How to Apply for Hong Kong Offer Shares—E. Severe Weather Arrangements" in this Prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via HKSCC's FINI system should refer to the section headed "How to Apply for Hong Kong Offer Shares—A. Application for Hong Kong Offer Shares—2. Application Channels" in this Prospectus.

(5) None of the website or any of the information contained on the website forms part of this Prospectus.

(6) H Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in "Underwriting—Underwriting Arrangements—Hong Kong Public Offering—Grounds for Termination" has not been exercised. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

(7) **White Form** e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.

(8) Applicants who have applied for Hong Kong Offer Shares through **HKSCC EIPO** channel should refer to the section headed "How to Apply for Hong Kong Offer Shares—D. Despatch/Collection of H Share Certificates and Refund of Application Monies" in this Prospectus for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of **White Form** e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk.

Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares—D. Despatch/Collection of H Share Certificates and Refund of Application Monies."

The above expected timetable is a summary only. For further details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, the Company will make an announcement as soon as practicable thereafter.

**IMPORTANT NOTICE TO INVESTORS**

*This Prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this Prospectus to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this Prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not contained nor made in this Prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Capital Market Intermediaries, any of the Underwriters, any of our or their respective directors, officers, employees, agents, or representatives of any of them or any other parties involved in the Global Offering.*

*Page*

*This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this Prospectus, including our financial statements and the accompanying notes, in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this Prospectus. You should read that section carefully in full before you decide to invest in the Offer Shares.*

## OVERVIEW

### Who We Are

We are a lithium-ion battery manufacturer in China, committed to developing a diverse portfolio of market-driven and technology-fueled battery products. We primarily focus on the R&D, production and sales of EV battery products and ESS battery products. We provide integrated battery solutions, encompassing battery cells, modules, packs, racks, and battery management systems dedicated to large-scale applications of electrochemical products.

We are founded upon experience in the auto part industry. With extensive professional and industry expertise of our core management, we have developed insights into the automobile industries. With understanding of OEM customers' demands to balance safety, quality, performance, and cost efficiency, we developed diverse EV battery products as our core business, placing us in a favorable position of application scenario expansion and rapid technological advancements in the battery industry. We primarily focus on the sales of battery products for EV applications during the Track Record Period. As one of the ten largest players in EV battery market in terms of installation capacity, we operate in China's power battery industry, which is highly competitive and concentrated with top ten manufacturers accounting for 95.3% of total installation capacity in 2024. As measured by installation capacity in 2024, we held a market share of 1.8% amongst EV battery manufacturers in China, according to CABIA.

## BUSINESS MODEL

We procure raw materials from trusted and selected suppliers to ensure the quality and stability of raw material supplies. We also extensively collaborate with production equipment suppliers to customize our production equipment, which helps us achieve a flexible manufacturing system under which our manufacturing lines can be reconfigured in a timely and cost-efficient manner to produce battery products of a different technology pathway when demanded by customer orders. We are also able to understand and fulfill customer needs and establish relationships with OEMs and other customers worldwide, leveraging our experience and insight in the auto part industry. We adopt a customer-oriented approach where we closely and proactively work with customers to predict customer demands.

## PRODUCTS, RESEARCH AND DEVELOPMENT, AND TECHNOLOGIES

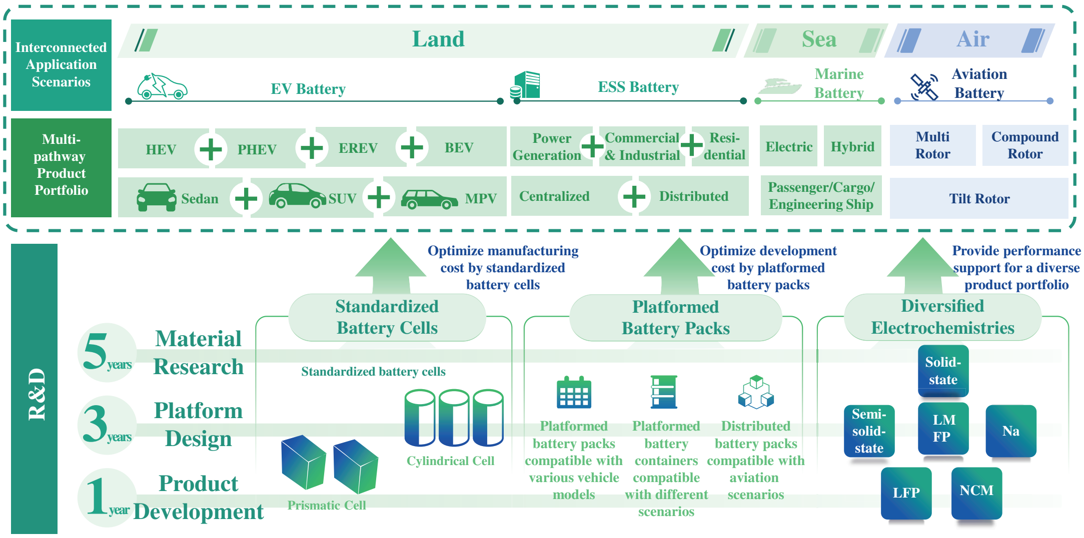
Major EVs include battery electric vehicle ("**BEV**"), plug-in hybrid electric vehicle ("**PHEV**"), extended-range electric vehicle ("**EREV**"), and hybrid electric vehicle ("**HEV**").

Different vehicle types commonly utilize specific battery chemistries based on their performance needs. BEV batteries typically used to adopt lithium nickel-cobalt-manganate ("**NCM**") materials. In recent years, lithium iron phosphate ("**LFP**") materials are also gaining popularity for adoption among BEVs due to its safety performance and cost-effectiveness. BEV batteries typically require high energy density and capacity to satisfy long driving ranges. PHEVs typically adopt NCM, or LFP batteries. PHEVs typically require batteries to have lower capacity compared to BEV batteries, while having higher requirements for battery cycle life and power, as well as the balance between energy density and cost. HEVs typically used to adopt nickel metal hydride ("**NiMH**") batteries; lithium-ion related materials are also gaining popularity for adoption in HEV batteries as technology develops. These choices reflect the varied demands of energy density, safety, and cost across different EV types. The following table compares main battery types (NCM, LFP, NiMH) focusing on energy density, cost, lifespan, safety, and examples of use:

| Battery Type | Energy Density | Cost | Lifespan | Safety | EV Type |
|---|---|---|---|---|---|
| **NCM (Nickel-Cobalt-Manganese)** . . . | High (150-320 Wh/kg) | Moderate to High | Moderate (800-4,000 cycles) | Moderate (susceptible to thermal runaway, requires advanced battery management systems) | BEV and PHEV |
| **LFP (Lithium Iron Phosphate)** . . . . | Moderate (90-200 Wh/kg) | Low | High (2,000-10,000 cycles) | High (stable, less prone to overheating or thermal runaway) | BEV and PHEV |
| **NiMH (Nickel-Metal Hydride)** . | Low to Moderate (40-120 Wh/kg) | Moderate | Moderate (500-1,000 cycles, with lower capacity retention over time) | High (safer than NCM, stable under most conditions) | HEV |

For a comparison of power batteries in different EVs, please see "Industry Overview—Overview of EV Power Battery Market."

The following diagram demonstrates our products and technologies.




We commenced to manufacture and sell battery products in 2016 and commenced our LFP batteries business in July 2022. Our EV batteries cover a variety of EV types such as BEV, PHEV, EREV and HEV and can be installed in multi-functional vehicles such as sedans, SUVs and MPVs. Our energy storage system ("**ESS**") and marine battery products are primarily LFP batteries, and our aviation battery products are primarily high-nickel semi-solid-state Lithium-Ion battery products.

We adopt a market-driven technology and product development approach. We conduct comprehensive analysis by collecting market information, technology trends, and customer feedback to form forward-looking judgments on R&D directions. Additionally, we involve a cross-department project team to design products, taking into account aspects of technology R&D, manufacturing, quality control, finance, and sales.

We adopt standardized battery cells and platformed battery packs, and differentiated their performance with diversified electrochemistries, which enables our OEM customers to more flexibly use our products in different vehicle types and application scenarios. This helps reduce OEMs' development costs and our R&D and manufacturing costs. Our R&D activities also cover different electrochemistries and technology pathways, satisfying customers' varying needs for product performance and costs. We have developed various NCM and LFP battery products, and have a pipeline of LMFP batteries, sodium-ion batteries, and semi-solid-state product for commercialization in the near future, as well as a pipeline of solid-state technologies and products as our preparation for the long-term. Our diverse technology capabilities and pipeline help us develop diversified products that satisfy customers' rapidly evolving and diverse needs.

As of December 31, 2024, our R&D team consists of 1,060 full-time employees, approximately 28% of whom held a master's degree or above. As of the same date, we had 3,613 patent applications and had been authorized 2,225 patents, among which, 412 were invention patents. We are also funded by the Industry and Information Technology Department of Jiangsu for sodium-ion battery industrialization.

Our R&D capabilities have enabled us to develop the following battery technologies with unique product features and advantages:

- *High energy density and fast charging LFP battery:* Through optimization of materials and electrode design, we have increased the gravimetric energy density to approximately 190Wh/kg; through the development and introduction of high press density Lithium-Iron phosphate materials, our LFP battery achieves volumetric energy density of over 430 Wh/L as well as fast charging capabilities of 2.2C.

- *PHEV and EREV batteries.* Our PHEV and EREV batteries enjoy the extremely high cycle life of up to 4,000 cycles, and can reach up to 80% state of charge ("**SOC**") in 30 minutes.

- *HEV batteries*. The HEV batteries developed by us and our joint venture STAES cover two main technology pathways, namely Lithium-Ion and Ni-MH. They enjoy the advantages of high power, long cycle life and high safety, with peak discharge rate of 80C, and cycle life of up to 27,000 cycles.

- *Universe series (BEV battery pack)*. Although we have not commenced mass production, we have completed the development of Universe series BEV battery pack and already produced samples. Our Universe series BEV battery pack enjoys an energy density up to 260 Wh/kg, and can reach 70% SOC as fast as seven minutes. It features a pioneering tenon-and-mortise assembly technology, making it the first in the industry to enable single cell disassembly and easy maintenance.

- *Loong series (BEV battery pack)*. Although we have not commenced mass production, we have completed the development of Loong series BEV battery pack and already produced samples. Our Loong series BEV battery pack achieves a total battery capacity of 170 kWh, which is the highest among passenger EV battery pack products in China as of December 31, 2024. It adopts dual semi-solid-state technology, which enjoys an energy density of 306 Wh/kg and reaches 70% SOC from 10% SOC within nine minutes.

- *Aviation battery products*. We are the first EV battery company in China to receive the AS9100D Aerospace Quality Management System recognition, and one of the first companies in Suzhou leading the "low-altitude economy" initiative. Our aviation battery products have an energy density of over 320 Wh/kg, and can reach up to 80% SOC in 15 minutes. They can maintain a discharge rate of 12C at a low SOC of 20%. They can also reach aviation-grade level safety standards.

## OUR MARKET RANKING AND OPPORTUNITIES

### Market Ranking

According to Frost & Sullivan, in China:

- we were the 9th largest player in the LFP EV battery market, the NCM EV battery market and the overall EV battery market in terms of EV battery installation capacity in 2024.

- we experienced the second fastest growth in overall EV battery installation capacity among the top ten EV battery companies, and the fastest growth in LFP EV battery installation capacity among the top ten LFP EV battery companies from 2022 to 2023 (as measured by battery installation capacity in 2023).

### Market Opportunities

The global EV battery market experienced steady growth in installation capacity in recent years, and is expected to further grow from 900.2 GWh in 2024 to 3,564.5 GWh in 2029, representing a CAGR of 31.7%. In China, EV battery installation capacity is expected to grow from 549.9 GWh in 2024 to 1,961.4 GWh in 2029, representing a CAGR of 29.0%.

The EV battery industry in China is at an inflection point that poses unique challenges and opportunities for its players.

#### *Industry Inflection Point*

The growth drivers in the battery industry have evolved from policy and capital investment to market demand over the past few years. Before 2020, decisions to expand EV battery manufacturing capabilities by EV battery manufacturers were primarily driven by policy on new energy vehicles, and manufacturing capacity was designed and constructed for electrochemistries that fit the government subsidy policies under the significant capital support. After 2021 when such subsidy policies began to expire, such manufacturing capacity cannot adequately accommodate diversified electrochemistries that are safer and more cost competitive, and are not flexible to capture the rapid growth in new power battery applications (such as PHEV and EREV). The power battery industry has now reached a critical inflection point, where key competitiveness of battery manufacturers hinges on their understanding and precise alignment with the needs of OEM customers.

#### *Structural changes in market demand*

The automobile industry has always been dedicated to striking the optimal balance among safety, quality, performance, and cost efficiency, which has driven various development trends in the EV and battery industries including the trend toward more diverse technology pathways. Compared to NCM batteries, LFP batteries offer lower costs, higher thermal stability, better tolerance to overcharging, longer cycle life, and a higher capacity retention rate. At the same time, the energy density gap between LFP and NCM batteries is narrowing, and LFP batteries are now capable of meeting the driving range requirements for the majority of electric vehicles. As a result, LFP batteries are better aligned with the market's demand for cost-effectiveness and safety, leading to their rapid growth in market share in recent years. With the reduction in subsidies and development of alternative technologies, LFP batteries have surpassed NCM and become the primary product type in the global EV industry: in China, the proportion of NCM batteries decreased from 60.9% in 2020 to 25.4% in 2024, of all EV batteries in terms of installation capacity, whereas the proportion of LFP batteries increased from 38.0% in 2020 to 74.4% in 2024, of all EV Batteries in terms of installation capacity. This shift is further highlighted by the installation capacity of LFP batteries, which was 408.9 GWh in 2024 in China, whereas the installation capacity for NCM was 139.8 GWh in 2024 in China.

As the market share of LFP batteries continues to grow, rapid technological advancements in LFP technology have made high-performance LFP products a key factor in capturing additional market share. Our LFP technology offers the following advantages, which position us strongly to expand our presence in the market: (i) to meet the demand for longer driving ranges, we have increased the volumetric energy density of our LFP products from 175 Wh/kg to over 190 Wh/kg, enabling vehicles equipped with our batteries to achieve greater range; and (ii) to further compete with ternary battery technology, fast-charging capability is essential. Although not in mass production yet, certain of our LFP products has achieved a fast-charging capability of 4C, which enables them to charge to 80% state of charge in 15 minutes with peak charging speeds exceeding 5C, giving us a significant competitive edge. These innovations are critical to further increasing our market share in the LFP segment. In addition, we adopt the following strategies to further expand our market share in the LFP EV battery market: (i) leveraging the industry trends of battery cell standardization and battery pack platformization to integrate our products across a broader range of vehicle models within existing customers' supply systems, thereby increasing our supply and operational efficiency; (ii) securing partnerships and supply agreements through multinational joint ventures to launch new range-extended EVs and plug-in hybrid models, positioning ourselves as a preferred supplier for these innovative vehicles; (iii) strengthening supply relationships with leading domestic brands by fostering collaborations with self-owned brands and supporting leading domestic brands' integrated vehicle models, to enhance our alignment with their key vehicle platforms; and (iv) leveraging the increasing adoption of smart automotive technologies and the evolution of LFP batteries to higher fast-charging capabilities (from 2C to even faster charging standards), targeting new vehicle launches to expand our market share.

There are also significant changes in the structure of the new energy vehicles ("**NEV**") market. While BEV still currently accounts for the largest market share, PHEV has experienced significant growth, leveraging its advantages in cost and driving range. The market penetration rate of BEVs in China was 24.6% in 2024 in terms of sales volume, and the sales volume is expected to grow at a CAGR of 14.1% from 2024 to 2029. In contrast, the total market share of PHEVs (including EREVs) in China was 16.4% in 2024, and the sales volume is expected to grow at a CAGR of 24.1% from 2024 to 2029, indicating that PHEVs are poised for faster growth compared to BEVs and will surpass BEVs in sales volume in 2026.

### *Challenges to EV Battery Manufacturers*

In the early stages of industry development, to meet the stable supply and demand for battery products, many power battery companies have already devoted significant resources in establishing manufacturing lines for high-capacity BEV battery cells and specialized manufacturing lines for NCM batteries. Such manufacturing lines, compared to our current manufacturing lines, demonstrate lower compatibility, lower efficiency and higher manufacturing costs. Utilizing these ternary manufacturing lines for producing small-capacity PHEV cells or LFP cells would lead to high conversion and manufacturing costs. At the same time, driven by cost concerns, OEMs have raised higher demands for standardized battery products that are compatible with different vehicle types and application scenarios and can accommodate various electrochemistries.

In addition, China's EV power battery production capacity reached 826 GWh in 2024 and is projected to grow to 991.2 GWh in 2025, whereas the installation capacity of EV power battery in China was 549.9 GWh in 2024 and is expected to reach 692.2 GWh in 2025. According to Frost & Sullivan, this represents a structural overcapacity issue, driven by idle low-end production capacity with outdated technologies that cannot be upgraded or adapted to the structural transitions in China's EV power battery industry. These transitions include the growing demand for higher-performance EV power batteries, the increasing dominance of LFP, and the higher growth of PHEVs over BEVs. According to Frost & Sullivan, top ten EV battery manufacturers accounted for 95.3% of the total EV battery installation capacity in the PRC in 2024. Low-end production capacity accounts for over half of the industry's capacity. Low-end production capacity refers to companies that have lower than 3% R&D expenses, lower than 50% production utilization rate who produce products with low energy density with outdated technologies that cannot be upgraded or adapted to the structural transitions in China's EV power battery industry. China's EV power battery industry is highly competitive and concentrated and we expect that the trend will last in the future.

As a result, EV battery manufacturers that are fully market-driven, with the flexibility to easily adapt to technology shifts through the adoption of efficient and flexible manufacturing lines, and have products and manufacturing capabilities that cover a diverse high quality and low cost product portfolio, can succeed in the current market.

### Our Differentiated Approach

- We adopt standardized battery cells and platformed battery packs, and differentiate their performance with diversified electrochemistries, which effectively lower our R&D and manufacturing costs, as well as bring cost efficiency for OEMs.

- We have established a R&D strategy which guide our R&D into new electrochemistries, advanced materials, technology platforms and new products.

- We have strategically categorized and developed PHEV and EREV battery products in addition to BEV products, capturing the structural growth opportunity while satisfying different customer needs.

- Our manufacturing facilities are highly flexible, which enable us to adapt to changes in market demand for different types of battery products. They are also highly intelligent, which reduces reliance on manual labor, making the manufacturing process highly controllable, and increasing the consistency in product quality.

These approaches have earned us recognition as an effective supplier by a large number of OEM customers, including large state-owned enterprises, pure-play EV companies, and multi-national OEMs through establishing long-term cooperative relationships. Leveraging our capabilities in technologies and products, we continue to increase the market share of our battery products to cover more vehicle models from leading OEMs in the global EV industry, such as FAW Hongqi, GAC Trumpchi, Leap Motor, SAIC-GM Wuling, and SAIC-GM.

## MANUFACTURING

Our facilities for battery cell manufacturing are enabled and enhanced by software systems, including our operational platform, manufacturing operations management customization system, contactless visual inspection technologies powered by AI, and AI edge computing-based quality inspection and monitoring system. These capabilities enable us to continuously improve manufacturing and cost efficiency. The automation rate of major manufacturing lines (defined by the percentage of machines and equipment that do not require any human interventions to run smoothly) reached over 95% in 2024, which is significantly higher than the industry of approximately 90%.

Our manufacturing lines are also highly flexible and can be converted to manufacture different product types (such as from EV batteries to ESS batteries, and from NCM batteries to LFP batteries) with relatively low conversion costs and time. We achieve this through adopting predictive manufacturing equipment design, flexible and intelligent manufacturing technique design. The time to convert a manufacturing line to produce at full capacity for those battery products of the same dimension to a different electrochemistry could reach as short as three days, and the time to convert a manufacturing line to produce at full capacity for those battery products of different dimensions could reach as short as 50 days.

As of December 31, 2024, we had a total designed manufacturing capacity of 25.5 GWh for battery cell products. Most of our manufacturing facilities are strategically located in close vicinities to each other in Changshu, which allows centralized operational management. On average, we are able to allocate resources among different facilities and respond to abnormal alerts from each facility in Changshu within 30 minutes. We also adopt a demand-driven manufacturing capacity expansion strategy, which helps us avoid excessive and idle capacity and reduce waste of resources.

As of the Latest Practicable Date, we had 48 design-wins that were subsequently converted into purchase orders. Among these design-wins, 24 entered mass production and delivery stage and 24 were in the sampling or development stage as of the Latest Practicable Date.

## OUR CUSTOMERS

We have forged collaboration with leading players in the automotive industry, and have cultivated high-caliber customer base. Customers of our battery products are primarily EV manufacturers. Our EV battery customers include large state-owned enterprises, pure-play EV companies and multi-national OEMs. The market share of our battery products among vehicle models of leading global OEMs, such as FAW Hongqi, GAC Trumpchi, Leap Motor, SAIC-GM Wuling, and SAIC-GM, continues to increase. As of December 31, 2024, our products are integrated in over 50% of Leap Motor's main BEV models, and a key PHEV model of SAIC-GM, GL8 PHEV. We are the main supplier for GL8 PHEV. In addition, we have established cooperation with various potential customers of our ESS battery products, such as Deye Holdings. We are also actively pursuing new collaborations in terms of mass production of our marine and aviation battery products with potential customers in the relevant fields.

In 2021, 2022, 2023 and 2024, sales to our largest customer in each year during the Track Record Period amounted to RMB828.3 million, RMB962.5 million, RMB1,179.1 million and RMB1,462.3 million, representing 55.2%, 29.3%, 28.3% and 28.5% of our total revenue for the respective year, respectively, while our five largest customers in each year during the Track Record Period amounted to RMB1,337.4 million, RMB2,972.7 million, RMB3,238.2 million and RMB4,530.0 million, representing 89.1%, 90.4%, 77.8% and 88.2% of our total revenue for the respective years, respectively. The increase in the percentage of our revenues from the five largest customers of the total revenue in 2024 was primarily due to (i) our strategic focus on top OEM customers which we are collaborating more vehicle models given tight production capacity in 2024; (ii) the revenue growth from three of our top five customers, which increased by 24.0%, 12.3% and 79.3% compared to 2023, resulting in an overall increase in the proportion of revenue contributed by our top five customers; and (iii) in addition, the revenue contribution of our ESS business decreased from 7.6% of total revenues in 2023 to 4.2% in 2024. For more details on our supply chain, see "Business—Sales, Marketing and Customers—Customers."

The following table sets forth details of the number of our design-wins, vehicle models, customers by type, and the average revenue contribution per customer during the Track Record Period.

| | As of/for the year ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| Number of design-wins at the end of each year | 4 | 7 | 23 | 47 |
| Cumulative number of design-wins | 5 | 9 | 25 | 49 |
| Cumulative number of vehicle models that entered production | 1 | 3 | 9 | 21 |
| Number of Customers | 30 | 56 | 92 | 81 |
| Number of OEM customers | 5 | 11 | 11 | 12 |

| | As of/for the year ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| Portion of revenues from OEM customers | 85.8% | 83.0% | 76.8% | 90.6% |
| Number of OEM car models | 7 | 20 | 26 | 36 |
| New customers | 18 | 40 | 66 | 38 |
| Customer retention rate | 93.3% | 68.2% | 88.9% | 94.5% |

Customer retention rate represents the proportion of revenue contributed by customers who had revenue contributions in the following year among the customers from the previous year. We have relatively low customer retention rate of 68.2% in 2022, which is primarily due to the one-off impact by WM Customer (as defined below), compared to 93.3%, 88.9% and 94.5% in 2021, 2023 and 2024. The number of our customer decreased from 92 in 2023 to 81 in 2024, which was primarily because (i) in 2024, our production capacity was insufficient to fulfill orders from smaller customers, resulting in a decline in the number of smaller customers; and (ii) we prioritized allocating resources to automotive OEM customers to maximize efficiency and revenue contribution, as a result of our shift in focus to the EV battery business, the core customers of which are OEM customers. For the same reasons, the portion of revenues from OEM customers increased from 76.8% in 2023 to 90.6% in 2024. Additionally, in 2023, as we disposed of down-grade products as a result of the WM Customer Incident, amounting to RMB173.1 million, we had additional revenue from other products and services, while such revenue decreased significantly in 2024, leading to an increase in the proportion of revenue from OEM customers in 2024.

For risks in relation to our customers, please see "Risk Factors—The intense competition, supply restrictions, trade controls, tariff, or sanctions, on semiconductor chips or other major components of EVs may disrupt the operations of our end customers and in turn adversely affect our business, results of operations, and financial condition." For more details about our customers, please see "Business—Sales, Marketing, and Customers—Customers."

## OUR SUPPLIERS

Our suppliers are primarily raw material providers based in China. We carefully select our suppliers and require them to satisfy various assessment criteria. All potential suppliers must pass our internal supplier admission standard before entering into our qualified supplier list. We also carry out regular audits of qualified suppliers.

In 2021, 2022, 2023 and 2024, purchases from our largest supplier in each year during the Track Record Period amounted to RMB665.0 million, RMB1,326.6 million, RMB433.9 million and RMB674.8 million, representing 40.8%, 38.2%, 14.3% and 19.1% of our total amount of purchase during the respective years, while purchases from our five largest suppliers in each year during the Track Record Period amounted to RMB1,079.3 million, RMB2,230.0 million, RMB1,368.1 million and RMB1,736.4 million, representing 66.1%, 64.2%, 45.0% and 49.2% of our total amount of purchase during the respective years. We believe that we have a good cooperation relationship with our key suppliers. For more details on our supply chain, see "Business—Supply Chain—Suppliers."

## BUSINESS OF SUZHOU ZENIO AND JIANGSU TAFEL

Jiangsu TAFEL was engaged in the development, manufacturing and sales of new energy power batteries. According to Frost & Sullivan, Jiangsu TAFEL and its subsidiaries ranked 7th largest power battery manufacturers as measured by monthly installation capacity in February 2020 and 7th place in 2021 as measured by accumulative installation capacity. At the time of the establishment of our Company in February 2019, Jiangsu TAFEL was a minority shareholder holding 30% of the equity interests in the Company. Our Company had been a wholly-owned subsidiary of Jiangsu TAFEL from May 2020 until the commencement of the Business Reorganization in December 2021. In February 2022, as part of the Business Reorganization, we acquired the business of Jiangsu TAFEL under common control for a total consideration of RMB1,854.8 million, which was determined based on the valuation of assets acquired as appraised by an independent professional valuer or the book value of the relevant assets, including part of the inventories which were still in the physical possession of Jiangsu TAFEL and not shipped out and could be used for further sale after the acquisition, at the relevant time. The acquisition of Jiangsu TAFEL's business under common control enhanced our business scale and our capabilities in the development and manufacturing of power battery products. Jiangsu TAFEL did not transfer any liabilities to our Group, apart from warranty liabilities for products sold of approximately RMB48.0 million.

Suzhou ZENIO was engaged in the manufacturing of battery modules and battery packs. On February 25, 2022, our Company acquired 100% equity interests in Suzhou ZENIO at a consideration of RMB306.9 million, being the fair value of identifiable assets and liabilities of Suzhou ZENIO on the date of the acquisition plus goodwill arising from the acquisition. The acquisition of Suzhou ZENIO enhanced our capabilities in the development and manufacturing of battery modules and battery packs, which greatly complements our existing capabilities in power battery cells. For more details, see "Business—Business of Suzhou ZENIO and Jiangsu TAFEL—Acquisition and Business of Jiangsu TAFEL."

### Integration of the Acquired Businesses

Since the respective acquisitions of Jiangsu TAFEL's business and Suzhou ZENIO, we had undertaken a series of measures to integrate the various aspects of their business operations into our Group. We also proactively commingled human resources of the acquired businesses into our Group. Leveraging Jiangsu TAFEL's established and operational manufacturing capabilities and customer contacts, we took measures to ensure a smooth transition so as to continue the manufacturing and sales relationships with Jiangsu TAFEL's existing customers or pursue further negotiations with its potential customers.

## COMPETITION

We primarily compete with other EV power battery manufacturers in China, as currently the vast majority of power batteries are used in EVs. According to Frost & Sullivan, the overall power battery industry is expected to grow rapidly in sales volume, driven by factors such as the accelerating transportation electrification process, technological advancement in EV batteries, favorable government policies, and continuous cost reductions for EV batteries. The power battery market is also expected to undergo the following trends, such as continued technology innovation and breakthroughs on battery performance, reducing costs, increasing industry concentration, closer collaboration between battery manufacturers and OEMs, increasing importance of flexible manufacturing capacity, increasing diversity of business models, and battery standardization. See "Industry Overview" for more details on our competitive landscape, industry growth drivers and development trends.

## OUR COMPETITIVE STRENGTHS

Our competitive strengths include:

- An established EV battery company in China with experience in the auto part industry;
- Diverse portfolio of market-driven battery products capturing structural industry growth;
- Standardized battery cells, platformed battery packs, and diversified electrochemistries which boost cost-efficiency across the industry chain;
- Comprehensive independent R&D capabilities supporting the launch of cutting-edge products;
- Software-defined and intelligent manufacturing facilities based on AI and big data, leading to efficient and flexible battery cell manufacturing capabilities that are highly adaptable to changes in market demand; and
- Deep and well-established customer relationships with leading players in the global mobility and energy storage industries.

For more details on our competitive strengths, see "Business—Our Competitive Strengths."

## OUR STRATEGIES

Our strategies include:

- Steadily expand manufacturing capabilities driven by changes in market demand;
- Enrich our diverse product portfolio, covering standardized battery cells, platformed battery packs and diversified electrochemistries to improve the overall efficiency of the entire power battery industry chain;
- Further implement our R&D strategy; and
- Expand our business globally through diverse approaches.

For more details on our strategies, see "Business—Our Strategies."

## SUMMARY OF MAJOR RISK FACTORS

Our major risk factors include:

- We have a limited operating history and our ability to develop, manufacture and deliver battery products is still evolving, making it difficult to evaluate our business prospects, and we may not be successful in expanding our operations or managing our growth.
- We recorded a net loss in 2021, 2022 and 2023 and a net profit in 2024. We may not be able to maintain our net profit position in the future, which may affect our business sustainability.
- We may not be able to derive the desired benefits from our research and development efforts, and may fail to keep up with rapid technological changes and evolving industry standards, which may negatively affect our competitiveness and profitability, and lead to decrease in the demand for our products.
- The power battery industry is highly competitive. Failure to compete effectively or launch our new products, including new battery types such as hydrogen and sodium-ion batteries, may materially and adversely affect our market share and profitability.
- If we are unable to retain existing customers and attract new customers, our business, financial conditions and results of operations will be adversely affected.
- Our business is exposed to the supply-demand dynamics in various new energy related industries, and thus is affected by market demand for the end products where our battery products are used.

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

- We purchase certain key raw materials from third parties, and we may not be able to secure our supply of such key raw materials in a stable and timely manner.

- We are exposed to risks relating to price fluctuations of key raw materials.

- We depend significantly on our pricing power and may be materially and adversely affected if we are forced to lower the selling prices of our products.

## SUMMARY OF RESULTS OF OPERATIONS

The following table sets forth our results of operations during the years indicated.

| | Year ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | | |
| **Revenue** | 1,499,296 | 3,290,253 | 4,161,670 | 5,130,317 |
| Cost of sales | | | | |
| Cost of sales of goods | (1,393,991) | (3,001,272) | (3,670,744) | (4,326,476) |
| Impairment losses on inventories | (75,127) | (579,261) | (282,437) | (55,397) |
| **Gross Profit/(Loss)** | 30,178 | (290,280) | 208,489 | 748,444 |
| Other income and gains | 20,833 | 48,954 | 49,265 | 78,738 |
| Selling and marketing expenses | (12,848) | (19,779) | (57,618) | (35,769) |
| Administrative expenses | (134,738) | (241,116) | (259,466) | (301,459) |
| Research and development expenses | (221,047) | (329,277) | (424,099) | (556,165) |
| Impairment losses on financial assets and contract assets, net | (22,457) | (600,057) | (10,837) | (9,705) |
| Other expenses | (1,400) | (267,524) | (11,568) | (14,952) |
| Finance costs | (70,217) | (32,892) | (73,451) | (132,585) |
| Share of profits/(losses) of joint ventures | – | 923 | (25,094) | 302,496 |
| (LOSS)/PROFIT BEFORE TAX | (411,696) | (1,731,048) | (604,379) | 79,043 |
| Income tax credit | 9,421 | 11,067 | 14,512 | 11,971 |
| **(LOSS)/PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | (402,275) | (1,719,981) | (589,867) | 91,014 |
| (Loss)/profit attributable to: | | | | |
| Owners of the parent | (402,275) | (1,719,981) | (589,867) | 91,014 |
| (LOSS)/PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | | |
| Basic and diluted (RMB) | (0.26) | (1.01) | (0.31) | 0.04 |

### Non-IFRS Measure

Our consolidated financial information was prepared in accordance with IFRS. To supplement our consolidated results which were prepared and presented in accordance with IFRS, we use EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that the measure facilitates comparisons of operating performance from period to period and company to company by eliminating the potential impact of items, such as certain non-cash items. The use of the non-IFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, as a substitute for, analysis of, or superior to, our results of operations or financial condition as reported under IFRS. In addition, the non-IFRS measure may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies.

We define EBITDA (non-IFRS measure) as loss for the year adjusted by finance costs, depreciation and amortization, and income tax credit and interest income. We define adjusted EBITDA (non-IFRS measure) as EBITDA (non-IFRS measure) as adjusted by share-based payment expenses (which is non-cash in nature) and listing expenses. The following table sets forth a reconciliation of our EBITDA (non-IFRS measure) for 2021, 2022, 2023 and 2024 to the nearest measures prepared in accordance with IFRS.

| | Year ended December 31, | | | |
|---|---|---|---|---|
| | **2021** | **2022** | **2023** | **2024** |
| | *(RMB in thousands)* | | | |
| **(Loss)/profit for the year** | **(402,275)** | **(1,719,981)** | **(589,867)** | **91,014** |
| Finance costs | 70,217 | 32,892 | 73,451 | 132,585 |
| Depreciation and amortization | 185,674 | 294,001 | 413,853 | 608,942 |
| Income tax credit | (9,421) | (11,067) | (14,512) | (11,971) |
| Interest income | (8,155) | (17,896) | (33,230) | (37,426) |
| **EBITDA (non-IFRS measure)** | **(163,960)** | **(1,422,051)** | **(150,305)** | **783,144** |
| Share-based payments | 22,611 | 35,038 | 43,934 | 58,875 |
| Listing expenses | – | – | – | 29,285 |
| **Adjusted EBITDA (non-IFRS measure)** | **(141,349)** | **(1,387,013)** | **(106,371)** | **871,304** |

### Summary of Results of Operations

During the Track Record Period, we experienced growth in our results of operations. Our revenue increased from RMB1,499.3 million in 2021 to RMB3,290.3 million in 2022, and further to RMB4,161.7 million in 2023, representing a CAGR of 66.6%. Our revenue grew from RMB4,161.7 million in 2023 to RMB5,130.3 million in 2024, representing a growth rate of 23.3%.

Our revenue increased from RMB1,499.3 million in 2021 to RMB3,290.3 million in 2022, and further to RMB4,161.7 million in 2023, and increased to RMB5,130.3 million in 2024, primarily due to an increase in our sales volume of power batteries during each year.

Our cost of sales increased from RMB1,469.1 million in 2021 to RMB3,580.5 million in 2022, and further to RMB3,953.2 million in 2023, and increased to RMB4,381.9 million in 2024, primarily due to an increase in sales volume of our various batteries products, which led to increases in raw material costs and labor costs in each year. In addition, the significant increase from 2021 to 2022 was primarily due to the one-off impact by WM Customer, and to a lesser extent, due to increases in the sales volume of our power batteries and the overall prices of raw materials in the industry. The increase from 2022 to 2023 was primarily due to an increase in cost of sales of goods driven by an increase in sales volume of our power batteries and ESS products, partially offset by a decrease in impairment losses on inventories. The increase from 2023 to 2024 was primarily due to an increase in manufacturing costs and driven by an increase in sales volume, partially offset by a decrease in impairment losses on inventories.

Our impairment losses on financial assets increased significantly from RMB22.5 million in 2021 to RMB600.1 million in 2022, and subsequently decreased by 98.2% to RMB10.8 million in 2023, primarily because in 2022 we incurred an RMB601.4 million impairment loss to our trade receivables as a result of material adverse changes in business operations of WM Customer. See "—Significant factors affecting our financial condition and results of operations—Specific factors affecting our results of operations" for more details.

Our other expenses for the year 2021, 2022, 2023 and 2024 were RMB1.4 million, RMB267.5 million, RMB11.6 million and RMB15.0 million, respectively. The significant increase of other expenses from 2021 to 2022 was primarily because of impairment loss to property, plant and equipment caused by changes in business plans of Nanjing Zenergy and Dongguan Zenergy. Nanjing Zenergy ceased substantial production in December 2022, and Dongguan Zenergy ceased production activities in February 2023, respectively. After considering the significant conversion costs we would need to incur to adapt the Nanjing Zenergy production lines to new battery products and technologies which we developed in recent years, we decided to substantially cease the operations of Nanjing Zenergy facility and expand our Changshu Zenergy and Changshu Yinhe facilities with new production lines that are compatible with our new products and technologies. Nanjing Zenergy production lines are now primarily used for product R&D purposes. As a result, we incurred significant impairment loss of the property, plant and equipment in 2022. Dongguan Zenergy had a relatively small capacity compared to our other product lines. Considering the unified planning of the industrial park where Dongguan Zenergy was located and its lease agreement that would expire in October 2023, we decided to relocate the entire production base from Dongguan to Changshu to better integrate our resources. As a result, Dongguan Zenergy ceased its production activities in February 2023. As such, the relevant property, plant and equipment became idle or scrapped.

Our loss for the year increased from RMB402.3 million in 2021 to RMB1,720.0 million in 2022 primarily due to material adverse changes in business operations of WM Customer. Our loss for the year subsequently decreased to RMB589.9 million in 2023, primarily due to an increase in sales volume and an improvement in operating efficiency due to economies of scale. We recorded net profit of RMB91.0 million in 2024. For factors attributable to the change in our position to become profitable in 2024, please see "—Recent Developments and No Material Adverse Change."

***Impact of WM Customer***

In November 2022, we ceased delivery of NCM battery products for application in BEVs to Weilmaister New Energy Automotive Parts (Wenzhou) Co., Ltd. and Weima New Energy Vehicle Sales (Shanghai) Co., Ltd. (collective, "**WM Customer**") due to material adverse change in its business operations and WM Customer's prolonged delay and inability to settle its receivables (the "**WM Customer Incident**"). The WM Customer Incident largely contributed to the decline in the sales volume of our NCM batteries from 2.9 GWh in 2022 to 1.5 GWh in 2023, and our revenue from the sales of NCM batteries from RMB2,628.6 million in 2022 to RMB1,448.0 million in 2023.

We also recorded an RMB601.4 million and RMB422.3 million impairment in trade receivables and inventories, respectively, in 2022 in relation to WM Customer Incident pursuant to the relevant accounting policies, judgments and estimates under IFRS, which materially adversely affected our results of operations for the same year and our trade receivable balance and financial position as of December 31, 2022. The aggregate amount of impairment arising from the WM Customer Incident reached RMB1,023.6 million.

Our overall results of operations improved in 2023, partially because impairment in trade receivables and inventories in relation to WM Customer did not impact our results of operations in 2023. However, certain impact of the WM Customer Incident carried over to 2023. It takes a certain amount of time for us to develop business relationships with new customers, obtain design-wins, and ramp up mass production. Therefore, even though sales and delivery to WM Customer terminated in 2022, sales in 2023 was also adversely affected because we could not timely make up for the purchase volume that would have been delivered and sold to WM Customer had WM Customer Incident not occurred. We have also enhanced our internal control procedures on customer credit approval when establishing sales relationships with potential customers, focusing on their creditworthiness to avoid future occurrence of such incidents.

### Revenue by Product Type

The following table sets forth a breakdown of our revenue by product type during the years indicated, both in absolute amounts and as percentages of total revenue.

| | Year Ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | | 2024 | |
| | | % | | % | | % | | % |
| | (RMB in thousands, except for percentages) | | | | | | | |
| Power battery | 1,448,045 | 96.6 | 3,116,066 | 94.7 | 3,356,865 | 80.7 | 4,663,775 | 90.9 |
| *By product* | | | | | | | | |
| NCM | 1,448,045 | 96.6 | 2,628,589 | 79.9 | 1,447,995 | 34.8 | 1,357,268 | 26.5 |
| LFP | – | – | 487,477 | 14.8 | 1,908,870 | 45.9 | 3,306,507 | 64.4 |
| *By downstream application* | | | | | | | | |
| BEV | 1,447,952 | 96.6 | 3,103,107 | 94.3 | 2,370,954 | 57.1 | 3,012,278 | 58.7 |
| PHEV | – | – | 8,567 | 0.3 | 971,673 | 23.3 | 1,644,206 | 32.0 |
| Other applications(1) | 93 | 0.0 | 4,392 | 0.1 | 14,238 | 0.3 | 7,291 | 0.2 |
| ESS products | – | – | 2,768 | 0.1 | 315,306 | 7.6 | 213,409 | 4.2 |
| Other products and services(2) | 51,251 | 3.4 | 171,419 | 5.2 | 489,499 | 11.7 | 253,133 | 4.9 |
| Down-grade products(3) | 16,950 | 1.1 | 35,539 | 1.1 | 278,017 | 6.6 | 92,763 | 1.8 |
| Waste materials(4) | 27,485 | 1.8 | 109,540 | 3.3 | 132,554 | 3.2 | 130,249 | 2.5 |
| Others | 6,816 | 0.5 | 26,340 | 0.8 | 78,928 | 1.9 | 30,121 | 0.6 |
| **Total** | **1,499,296** | **100.0** | **3,290,253** | **100.0** | **4,161,670** | **100.0** | **5,130,317** | **100.0** |

*Notes:*

(1) Primarily include HEVs and aviation applications.

(2) Primarily include the sales of down-grade products and waste materials, as well as the provision of technical support services. The provision of technical support services was mainly to develop and test products for our customers. Such services were customized and developmental in nature.

(3) Revenue from the sale of down-grade products accounted for 6.6% of our total revenue in 2023, which was primarily due to the WM Customer Incident in 2022. After the WM Customer Incident, we sold inventories originally produced for WM Customer to other customers as down-grade products in 2023.

(4) Primarily include materials discarded during the production process, such as cathodes, anodes, battery cells, and scrap materials like copper foil and aluminum foil.

EV sales in China demonstrate significant seasonal patterns, primarily driven by seasonal demand fluctuations, policy influences, holidays, and climate conditions, among other factors. Specifically, the demand and production schedules of OEM customers typically decrease in the first quarter due to Chinese New Year holiday, and gradually resume in the second quarter when OEMs typically launch new vehicle models. The third and fourth quarters are the traditional peak demand and sales period in the China's automotive market, with more new models in the market, leading to higher sales volumes in the second half of each year during the Track Record Period. The sales of our products to OEMs are also affected by seasonal patterns. Our sales volumes are typically lower in the first half of each year compared to the second half of each year during the Track Record Period. For more details on how our sales are subject to seasonal patterns of EV sales in China, please see "Business—Products."

**Revenue by Region**

During the Track Record Period, we generated most of our revenue from operations in China. Our revenue from direct sales to overseas customers outside China was RMB0.3 million, RMB4.0 million, RMB78.7 million, and RMB34.9 million in 2021, 2022, 2023 and 2024, respectively. We also sold our products and provided services to the European Union during the Track Record Period, including power batteries, semifinished battery products and accessories, and technical services. Our revenue from sales and services to the European Union was nil, nil, RMB73.2 million, and RMB0.8 million in 2021, 2022, 2023, and 2024, respectively. During the Track Record Period, we generated a small portion of our revenue from the United States. Such direct sales to the United States primarily consisted of aviation battery products. Our revenue from the direct sales to the United States was nil, RMB0.6 million, RMB4.7 million, and RMB13.9 thousand in 2021, 2022, 2023, and 2024, respectively.

**Key Operating Data**

The following table sets forth a breakdown of sales volume during the years indicated.

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(MWh)* | | | |
| Power Battery | 2,106.7 | 3,634.4 | 5,906.7 | 11,314.4 |
| *By Product* | | | | |
| NCM | 2,106.7 | 2,947.3 | 1,446.0 | 1,765.0 |
| LFP | – | 687.1 | 4,440.7 | 9,549.4 |
| *By downstream application* | | | | |
| BEV | 2,106.6 | 3,631.4 | 4,980.6 | 9,210.5 |
| PHEV | – | 2.4 | 924.5 | 2,095.0 |
| Other applications(1) | 0.1 | 0.6 | 1.5 | 8.8 |
| ESS products | – | 3.1 | 751.0 | 575.2 |

*Note:*

(1) Primarily include HEV and aviation applications.

The following table sets forth a breakdown of average selling price during the years indicated.

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | (RMB/Wh) | | | |
| Power battery | 0.69 | 0.86 | 0.57 | 0.41 |
| *By product* | | | | |
| NCM | 0.69 | 0.89 | 0.99 | 0.77 |
| LFP | – | 0.71 | 0.43 | 0.35 |
| *By downstream application* | | | | |
| BEV | 0.69 | 0.85 | 0.48 | 0.33 |
| PHEV | – | 3.59 | 1.05 | 0.78 |
| Other applications(1) | 0.62 | 6.88 | 9.31 | 0.83 |
| ESS products | – | 0.89 | 0.42 | 0.37 |

*Note:*

(1) Primarily include HEV and aviation applications.

The following table sets forth a breakdown of average unit cost of raw materials, unit manufacturing costs and unit labor costs for our power battery products, ESS battery products and down-grade products during the years indicated. For more details, please see "Business—Business Sustainability—Our Historical Results of Operations—Fluctuation in Raw Material Prices."

| | Year ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | (RMB/Wh) | | | |
| Unit cost of raw materials | 0.53 | 0.69 | 0.38 | 0.26 |
| Unit manufacturing costs | 0.05 | 0.04 | 0.03 | 0.04 |
| Unit labor costs | 0.04 | 0.03 | 0.03 | 0.02 |
| Average selling price | 0.69 | 0.88 | 0.54 | 0.41 |

## Cost of Sales

The following table sets forth a breakdown of our cost of sales by nature during the years indicated, both in absolute amounts and as percentages of our total cost of sales.

| | Year Ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | | 2024 | |
| | | % | | % | | % | | % |
| | (RMB in thousands, except for percentages) | | | | | | | |
| Raw materials | 1,141,686 | 77.7 | 2,565,621 | 71.7 | 2,917,051 | 73.8 | 3,268,742 | 74.6 |
| Manufacturing costs | 117,355 | 8.0 | 134,249 | 3.7 | 262,294 | 6.6 | 529,643 | 12.1 |
| Labor costs | 76,544 | 5.2 | 105,480 | 2.9 | 247,944 | 6.3 | 275,548 | 6.3 |
| ***Subtotal*** | **1,335,585** | **90.9** | **2,805,350** | **78.3** | **3,427,289** | **86.7** | **4,073,933** | **93.0** |
| Other operating costs | 33,324 | 2.3 | 128,595 | 3.6 | 169,254 | 4.3 | 143,373 | 3.2 |
| Warranty costs | 25,082 | 1.7 | 67,327 | 1.9 | 74,201 | 1.9 | 109,170 | 2.5 |
| Impairment losses on inventories | 75,127 | 5.1 | 579,261 | 16.2 | 282,437 | 7.1 | 55,397 | 1.3 |
| **Total** | **1,469,118** | **100.0** | **3,580,533** | **100.0** | **3,953,181** | **100.0** | **4,381,873** | **100.0** |

The following table sets forth a breakdown of our cost of sales by product type and downstream application during the years indicated, both in absolute amounts and as percentages of our total cost of sales.

| | Year Ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | | 2024 | |
| | | % | | % | | % | | % |
| | (RMB in thousands, except for percentages) | | | | | | | |
| Power battery | 1,339,662 | 91.2 | 2,827,885 | 79.0 | 2,925,482 | 74.0 | 3,899,940 | 89.0 |
| *By product* | | | | | | | | |
| NCM | 1,339,662 | 91.2 | 2,409,273 | 67.3 | 1,257,029 | 31.8 | 1,153,058 | 26.3 |
| LFP | – | – | 418,612 | 11.7 | 1,668,453 | 42.2 | 2,746,882 | 62.7 |
| *By downstream application* | | | | | | | | |
| BEV | 1,339,578 | 91.2 | 2,815,857 | 78.7 | 2,085,660 | 52.8 | 2,550,935 | 58.2 |
| PHEV | – | – | 8,379 | 0.2 | 826,619 | 20.9 | 1,344,773 | 30.7 |
| Other applications(1) | 84 | 0.0 | 3,649 | 0.1 | 13,203 | 0.3 | 4,232 | 0.1 |
| ESS products | – | – | 2,330 | 0.1 | 289,805 | 7.3 | 188,938 | 4.3 |
| Others(2) | 54,329 | 3.7 | 171,057 | 4.7 | 455,457 | 11.5 | 237,598 | 5.4 |
| Impairment losses on inventories | 75,127 | 5.1 | 579,261 | 16.2 | 282,437 | 7.2 | 55,397 | 1.3 |
| **Total** | **1,469,118** | **100.0** | **3,580,533** | **100.0** | **3,953,181** | **100.0** | **4,381,873** | **100.0** |

*Notes:*

(1) Primarily include HEV and aviation applications.

(2) Primarily include the sales of down-grade products and waste materials, as well as the provision of technical support services.

**Gross Profit/(Loss) and Gross Profit/(Loss) Margin by Product Type and Downstream Application**

The following table sets forth our gross profit/(loss) and gross profit/(loss) margin by product type and downstream application during the years indicated.

| | Year Ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | | 2024 | |
| | Gross profit/(loss) | Gross profit/(loss) margin | Gross profit/(loss) | Gross profit/(loss) margin | Gross profit/(loss) | Gross profit/(loss) margin | Gross profit/(loss) | Gross profit/(loss) margin |
| | | % | | % | | % | | % |
| | *(RMB in thousands, except for percentages)* | | | | | | | |
| Power battery | 108,383 | 7.5 | 288,181 | 9.2 | 431,383 | 12.9 | 763,835 | 16.4 |
| *By product* | | | | | | | | |
| NCM | 108,383 | 7.5 | 219,316 | 8.3 | 190,966 | 13.2 | 204,210 | 15.0 |
| LFP | – | – | 68,865 | 14.1 | 240,417 | 12.6 | 559,625 | 16.9 |
| *By downstream application* | | | | | | | | |
| BEV | 108,374 | 7.5 | 287,250 | 9.3 | 285,294 | 12.0 | 461,343 | 15.3 |
| PHEV | – | – | 188 | 2.2 | 145,054 | 14.9 | 299,433 | 18.2 |
| Other applications(1) | 9 | 9.7 | 743 | 16.9 | 1,035 | 7.3 | 3,059 | 42.0 |
| ESS products | – | – | 438 | 15.8 | 25,501 | 8.1 | 24,471 | 11.5 |
| Other products and services(2) | (3,078) | (6.0) | 362 | 0.2 | 34,042 | 7.0 | 15,535 | 6.1 |
| Down-grade products | (4,054) | (23.9) | (6,918) | (19.5) | (8,193) | (2.9) | (1,461) | (1.6) |
| Waste materials(3) | 261 | 0.9 | (5,427) | (5.0) | (7,855) | (5.9) | 463 | 0.4 |
| Others | 715 | 10.5 | 12,707 | 48.2 | 50,090 | 63.5 | 16,533 | 54.9 |
| Impairment losses on inventories | (75,127) | N/A | (579,261) | N/A | (282,437) | N/A | (55,397) | N/A |
| **Total** | **30,178** | **2.0** | **(290,280)** | **(8.8)** | **208,489** | **5.0** | **748,444** | **14.6** |

*Notes:*

(1) Primarily include HEV and aviation applications.

(2) Primarily include the sales of down-grade products and waste materials, as well as the provision of technical support services. We recorded gross loss of RMB3.1 million and gross loss margin of 6.0% for other products in 2021, primarily due to the gross loss for down-grade products, which were sold at low prices.

(3) Primarily include materials discarded during the production process, such as cathodes, anodes, battery cells, and scrap materials like copper foil and aluminum foil.

For more details on our results of operations, see "Financial Information—Results of Operations" and "Financial Information—Principal Components of Statement of Profit or Loss And Other Comprehensive Income."

Rule 13.46(2) of the Listing Rules requires a PRC issuer to send an annual report or a summary financial report to its shareholders within four months after the end of the financial year to which the report relates. Since (a) this Prospectus already includes the financial information of the Company for the year ended December 31, 2024 as required under Appendix D2 to the Listing Rules in relation to annual reports; (b) we will not be in breach of the Articles of Association, laws and regulations of the PRC or other regulatory requirements as a result of not distributing such annual reports and accounts; and (c) we have complied with the applicable code provisions in Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, we will not separately prepare and publish and send an annual report to our Shareholders for the year ended December 31, 2024. In addition, we will issue an announcement by April 30, 2025 stating that we will not separately prepare and send an annual report to our Shareholders for the year ended December 31, 2024 as the relevant financial information has been included in this Prospectus. We will still comply with the requirements under Rule 13.91(5) of the Listing Rules.

## SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth details of a summary of our consolidated statements of financial position as of the dates indicated.

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | | |
| Total non-current assets | 2,845,985 | 5,779,681 | 9,775,430 | 9,861,915 |
| Total current assets | 2,969,015 | 4,671,136 | 4,355,352 | 5,732,316 |
| Total current liabilities | 3,397,917 | 5,287,822 | 6,150,006 | 6,496,681 |
| Net current liabilities | (428,902) | (616,686) | (1,794,654) | (764,365) |
| Total assets less current liabilities | 2,417,083 | 5,162,995 | 7,980,776 | 9,097,550 |
| Total non-current liabilities | 436,528 | 2,690,431 | 3,233,543 | 3,200,428 |
| Net assets | 1,980,555 | 2,472,564 | 4,747,233 | 5,897,122 |

The following table sets forth our current assets and liabilities as of the dates indicated.

| | As of December 31, | | | | As of February 28, |
|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 |
| | *(RMB in thousands)* | | | | |
| | | | | | *(unaudited)* |
| **CURRENT ASSETS** | | | | | |
| Inventories | 709,539 | 1,012,920 | 613,756 | 678,712 | 1,088,618 |
| Trade and bills receivables | 309,874 | 326,487 | 1,147,380 | 1,623,305 | 861,188 |
| Bills receivables at fair value through other comprehensive income | – | – | – | 92,936 | 302,919 |
| Contract assets | 11,675 | 1,951 | 6,496 | 5,144 | 5,144 |
| Prepayments, other receivables and other assets | 150,169 | 195,699 | 81,136 | 73,361 | 491,241 |
| Financial assets at fair value through profit or loss | – | 1,162,565 | – | – | – |
| Restricted bank balances | 1,020,347 | 1,035,350 | 472,305 | 957,804 | 1,013,734 |
| Time deposits | – | – | – | 101,982 | 102,050 |
| Cash and cash equivalents | 767,411 | 936,164 | 2,034,279 | 2,199,072 | 1,501,256 |
| **Total current assets** | **2,969,015** | **4,671,136** | **4,355,352** | **5,732,316** | **5,366,150** |
| **CURRENT LIABILITIES** | | | | | |
| Trade and bills payables | 1,813,289 | 3,012,332 | 3,415,854 | 3,742,586 | 3,707,040 |
| Other payables and accruals | 342,349 | 1,480,456 | 1,945,523 | 1,427,848 | 1,303,093 |
| Contract liabilities | 40,855 | 145,385 | 44,662 | 14,756 | 12,827 |
| Interest-bearing bank and other borrowings | 1,159,664 | 579,134 | 694,137 | 1,245,825 | 1,093,335 |
| Lease liabilities | 36,674 | 34,046 | 27,021 | 30,397 | 30,482 |
| Tax payable | – | 23,511 | – | 266 | – |
| Provision | 5,086 | 12,958 | 22,809 | 35,003 | 36,194 |
| **Total current liabilities** | **3,397,917** | **5,287,822** | **6,150,006** | **6,496,681** | **6,182,971** |
| **NET CURRENT LIABILITIES** | **(428,902)** | **(616,686)** | **(1,794,654)** | **(764,365)** | **(816,821)** |

Our net current liabilities increased from RMB764.4 million as of December 31, 2024 to RMB816.8 million as of February 28, 2025, primarily due to (i) an RMB762.1 million decrease in trade and bills receivables; and (ii) an RMB697.8 million decrease in cash and cash equivalents, and partially offset by (i) an RMB417.9 million increase in prepayments, other receivables and other assets; and (ii) an RMB409.9 million increase in inventories.

Our net current liabilities decreased from RMB1,794.7 million as of December 31, 2023 to RMB764.4 million as of December 31, 2024, primarily due to (i) an RMB517.7 million decrease in other payables and accruals; and (ii) an RMB485.5 million increase in restricted bank balances, and partially offset by an RMB551.7 million increase in interest-bearing bank and other borrowings.

Our net current liabilities increased from RMB616.7 million as of December 31, 2022 to RMB1,794.7 million as of December 31, 2023, primarily due to (i) an RMB1,162.6 million decrease in financial assets at fair value through profit or loss; (ii) an RMB563.0 million decrease in restricted bank balances, (iii) an RMB465.1 million increase in other payables and accruals; and (iv) an RMB403.5 million increase in trade and bills payables, and partially offset by (i) an RMB1,098.1 million increase in cash and cash equivalents; and (ii) an RMB820.9 million increase in trade and bills receivables.

Our net current liabilities increased from RMB428.9 million as of December 31, 2021 to RMB616.7 million as of December 31, 2022, primarily due to (i) an RMB1,138.1 million increase in other payables and accruals; and (ii) an RMB1,199.0 million increase in trade and bills payables, and partially offset by (i) an RMB1,162.6 million increase in financial assets at fair value through profit or loss; (ii) an RMB580.5 million decrease in interest-bearing bank and other borrowings; and (iii) an RMB303.4 million increase in inventories.

## SUMMARY OF CASH FLOW

The following table sets forth a summary of our cash flows for the years indicated.

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | | |
| Net cash flows (used in)/generated from operating activities | (165,420) | 1,353,642 | 284,354 | (361,142) |
| Net cash flows (used in)/generated from investing activities | (284,275) | (4,012,900) | 302,733 | (775,160) |
| Net cash flows generated from financing activities | 938,316 | 2,823,634 | 511,028 | 1,298,116 |
| Net increase in cash and cash equivalents | 488,621 | 164,376 | 1,098,115 | 161,814 |

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | | |
| Effect of foreign exchange rate changes, net | (14,718) | 4,377 | – | 2,979 |
| Cash and cash equivalents at beginning of the year | 293,508 | 767,411 | 936,164 | 2,034,279 |
| Cash and cash equivalents at end of the year | 767,411 | 936,164 | 2,034,279 | 2,199,072 |

We had net cash outflows in operating activities of RMB165.4 million in 2021, primarily due to our loss before tax of RMB411.7 million, partially offset by certain non-cash and non-operating items, primarily including depreciation of property, plant and equipment of RMB91.2 million. We had net cash outflows in operating activities of RMB361.1 million in 2024, primarily due to (i) profit before tax for the year of RMB79.0 million; and (ii) share of profits of joint ventures of RMB302.5 million.

For more details on our cash flow, see "Financial Information—Liquidity and Capital Resources—Cash Flows—Net Cash (Used in)/Generated from Operating Activities."

## SUMMARY OF KEY FINANCIAL RATIOS

The following table sets forth key financial ratios for the years or as of the dates indicated.

| | Year Ended/As of December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(%)* | | | |
| Gearing ratio(1) | 27.2 | 47.0 | 26.4 | 25.2 |
| Current ratio(2) | 87.4 | 88.3 | 70.8 | 88.2 |
| Quick ratio(3) | 66.5 | 69.2 | 60.8 | 77.8 |

*Notes:*

(1) Gearing ratio is calculated based on net debt, which includes interest-bearing bank and other borrowings and lease liabilities, less cash and cash equivalents, divided by capital, which includes equity attributable to the owners of the parent, plus net debt and multiplied by 100%.

(2) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year.

(3) Quick ratio is calculated as total current assets less inventories divided by the total current liabilities as at the end of the respective year.

## STAES REORGANIZATION TRANSACTION

In order to advance our business development strategies and reorganize the shareholding structure of STAES, we completed the acquisition of 50% of the equity interests in STAES held by SINOGY VC in December 2023. Pursuant to Rule 4.05A of the Listing Rules, such transaction, which occurred during the Track Record Period, would have been classified as a major transaction under Chapter 14 of the Listing Rules at the date of the Company's application for Listing. Please refer to Part III of the Accountants' Report in Appendix I to this Prospectus for the financial information of STAES from the commencement of the Track Record Period to the date of acquisition. STAES is considered a material joint venture of the Group and is accounted for using the equity method.

## OUR SHAREHOLDING STRUCTURE

### Our Controlling Shareholders

Immediately prior to the Global Offering, our Management Shareholders led by Ms. Cao and Dr. Chen who had been acting in concert with each other since the incorporation of our Company in respect of all major affairs concerning the Group, which in aggregate hold approximately 48.56% of the issued share capital of our Company, are acting in concert together with the Financial Investors, which in aggregate hold approximately 16.04% of the issued share capital of our Company, through which they are collectively interested in, and are entitled to exercise control over, an aggregate of approximately 64.60% of the voting rights of our Company. The Financial Investors have confirmed that they do not intend to continue to act in concert or exercise any common control over our Group upon completion of the Global Offering. Accordingly, the Financial Investors have entered into separate agreements with Zenergy Investment to terminate the AIC Agreements and Voting Proxy Agreements, with such termination to take effect upon Listing. For the background of the Acting-in-Concert Shareholders, please refer to the section headed "History, Reorganization and Corporate Structure".

Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Ms. Cao and Dr. Chen, indirectly through their close associates Zhengli Consulting, Zenergy Investment, SINOGY VC, Nanjing Miaode, Nanjing Xuande, Zhengli No. 1 and Zhengli No. 2, will together control the voting rights of approximately 46.21% of the total issued share capital of our Company. Accordingly, Ms. Cao and Dr. Chen, together with Zhengli Consulting, Zenergy Investment, SINOGY VC, Nanjing Miaode, Nanjing Xuande, Zhengli No. 1 and Zhengli No. 2, will be a group of Controlling Shareholders of our Company upon Listing. Ms. Cao and Dr. Chen will continue to act in concert in respect of all major affairs concerning the Group in accordance with their acting-in-concert agreement after the Listing provided that they remain interested in the share capital of our Company. For details, see "Relationship with Our Controlling Shareholders".

### Pre-IPO Investments

We underwent rounds of Pre-IPO Investments through the subscription of our increased registered capital by our Pre-IPO Investors and equity transfers among our existing shareholders and the Pre-IPO Investors. For further details of the identity and background of the Pre-IPO Investors and the principal terms of the Pre-IPO Investments, see "History, Reorganization and Corporate Structure—Pre-IPO Investments."

## BUSINESS SUSTAINABILITY

### Business and Industry Background

In the power battery industry, significant upfront investments are required at the initial stage of industry players' business operations on manufacturing capacity and product R&D. On the one hand, players need to invest heavily on establishing and continuously expanding manufacturing capacity to meet customer demands. Such investment may not yield any meaningful return until after the manufacturing facilities are constructed and ramped up, which could take a significant amount of time. On the other hand, players need to invest heavily on the R&D of technologies and products to ensure they can launch competitive products which can stay ahead of the latest development in industry trends and market demands.

Intense competition has led to an average of three to five years of net loss position for new players in China's power battery industry, according to Frost & Sullivan, because (i) it generally takes longer time for new players to establish new customer relationships given the highly concentrated and competitive market landscape; (ii) new players who enter the market at a later stage do not enjoy first-mover advantages, such as brand recognition, customer loyalty, and the ability to set standards or prices; and (iii) new players have yet to be able to leverage economies of scale and to achieve optimal operational efficiency. Therefore, they need longer time and more investment in product and technology innovation, building and maintaining customer relationship and implementation of other strategies to compete against established brands and differentiate themselves, leading to longer time to breakeven and become profitable compared to those who entered the market early on.

Leveraging the rapid development in battery technology and the expected growth in the overall market demand, however, players in China's power battery industry who have (i) made sufficient upfront investments in R&D and manufacturing capacities; (ii) established sizeable OEM customer base, especially those with exclusive supply arrangements; and (iii) possessed the ability to ramp up utilization of manufacturing facilities with overall utilization rate of over 60% are well positioned to achieve profitability and maintain sustainable development in the long run.

**Our Historical Results of Operations**

Our net loss was RMB402.3 million, RMB1,720.0 million, and RMB589.9 million, in 2021, 2022 and 2023, respectively. Our net profit was RMB91.0 million in 2024. Our net loss position from 2021 to 2023 was primarily due to (i) our significant investment in technology and product development pursuant to our R&D strategy; (ii) significant spending on manufacturing capacity expansion; (iii) historical product mix and pricing strategy, (iv) one-off impact of the WM Customer Incident during the Track Record Period; and (v) fluctuation in raw material prices (primarily for lithium carbonate prices) during the Track Record Period. For factors attributable to the change in our position to become profitable in 2024, please see "—Recent Developments and No Material Adverse Change."

***Significant Investment in Technology and Product Development***

We invest significant resources on technological innovation and product development. As of the Latest Practicable Date, we have entered into a contract and commenced production of battery products for air application. As of the Latest Practicable Date, our investment in battery products for sea application has not yet led to mass commercialization. In 2021, 2022, 2023 and 2024, our research and development expenses was RMB221.0 million, RMB329.3 million, RMB424.1 million and RMB556.2 million, respectively. The percentage of research and development expenses over total revenue decreased from 14.7% in 2021 to 10.0% in 2022, primarily due to the significant increase in our sales revenue; such percentage then remained relatively stable at 10.0%, 10.2% and 10.8% in 2022, 2023 and 2024, respectively. See "Financial Information—Significant factors affecting our financial condition and results of operations—Specific factors affecting our results of operations—Seasonality" for details.

***Manufacturing Capacity Still under Expansion***

Our future growth and profitability depend on our ability to expand our manufacturing capacity to meet the continuously increasing market demand. As of the Latest Practicable Date, we are still actively expanding our manufacturing capacity, which has yet to achieve optimal economies of scale at the current size. Such expanding manufacturing capacity requires substantial and continuous capitalized spending, which leads to significant depreciation and amortization that drives up our unit product costs.

***Product Mix and Pricing Strategy***

The ability to negotiate for premium pricing for our products requires a high level of trust and dependence by customers, which take time to build. Because we are still in the early stage of new product launches and forming a competitive product portfolio, we may not enjoy bargaining power that is as strong as some of our more established peers who have more advanced product mix, longer sales relationships with their customers and have achieved higher economies of scale.

*One-off Impact by an OEM Customer*

In November 2022, we ceased delivery of NCM battery products for application in BEVs to WM Customer due to the WM Customer Incident, which led to decrease in our sales volume of and revenue from NCM batteries. The WM Customer Incident also led to impairment losses on our inventories and trade receivables in 2022, which materially adversely affected our cost of sales, gross loss margin and overall results of operations in the same year. As of the Latest Practicable Date, there was no incident similar to the WM Customer Incident in the course of our operations.

*Fluctuation in Raw Material Prices*

Raw material costs, in particular lithium carbonate prices, account for the largest portion of overall cost of power batteries. In 2021, 2022, 2023 and 2024, cost of raw materials accounted for 77.7%, 71.7%, 73.8% and 74.6% of our total cost of sales, respectively, and 76.1%, 78.0%, 70.1% and 63.7% of our revenue, respectively. According to Frost & Sullivan, major raw materials for power batteries experienced a hike in prices in 2022. Thereafter, due to mining of further lithium mineral resources and improvement in refinery techniques, the supply of lithium related raw materials increased, which led to a decrease in raw material prices in 2023.

**Path to Profitability**

In light of the above background to our historical results of operations, we historically recorded a net loss in 2021, 2022 and 2023. However, we recorded a net profit in 2024. Meanwhile, we intend to adopt the following measures to maintain our net profit position in 2025.

*Further Increase Sales Revenue*

The demand for power batteries globally is expected to continue to expand, driven by the growth in the global EV industry. To capture such expanding market, we intend to further develop our product portfolio covering more interconnected land, sea and air applications. We also intend to improve our product mix, dedicating the sales of products that enjoy higher gross margin. We plan to actively expand our customer base for our various products, and we have devoted significant efforts in the R&D of our core battery technologies. These products include BEV and EREV products in form of battery packs, which offer higher margins due to their higher value added, as well as PHEV products. PHEV battery cells have higher per unit prices by KWh due to their smaller capacity and higher power requirements, and projects often include complete battery packs. The pricing of the pack component is also relatively stable and less affected by market fluctuations.

***Enhance Cost Management***

We cooperate with OEMs to redefine the approach to product development by adopting standardized battery cells, platformed battery packs, and diversified electrochemistries, which enables more efficient and low-cost integration of our products into their different vehicle models.

We also aim to improve our manufacturing process, explore the optimal manufacturing line set-up and improve flexibility of manufacturing speed of each manufacturing line, in order to improve overall manufacturing efficiency and lower unit cost.

We also plan to manage our raw material procurement cost by entering into long-term supply agreements or strategic cooperation with suppliers with respect to raw materials whose prices are subject to large fluctuations, in which we intend to stipulate that the procurement price will be adjusted in line with the public market prices.

We also intend to strengthen our internal control throughout our entire organization to ensure that all spending are made pursuant to preapproved budgets and to avoid excessive and unnecessary spending.

***Economies of Scale***

We believe as we continue to expand our overall business scale, we are positioned to capture growing economies of scale as fixed costs and operating expenses will be allocated by the increasing sales volume, thus lowering our unit cost and improving our profitability. Particularly, under our R&D strategy, we expect to develop and launch new diverse battery products covering more application scenarios. We believe the launch, mass production and delivery of an increasingly rich product portfolio is expected to drive significant expansion in our business scale.

***Joint Venture with Toyota***

STAES is the primary battery pack supplier for major OEMs that are joint ventures with Toyota in China. We intend to further leverage such close relationships to explore other business opportunities.

Despite our net loss position during the first three years of the Track Record Period, we believe our business is sustainable and has sufficient sources of liquidity to support our continued operations and growth, primarily due to (i) expected and continued development of diverse products; (ii) expanding high-quality customer base and diverse overseas business expansion prospects; (iii) enhanced cost control on product development, manufacturing and raw material procurement; (iv) expected economies of scale which we believe to further strengthen as we grow larger in scale; and (v) contribution from joint ventures. We recorded net profit of RMB91.0 million in 2024. As of February 28, 2025, we had unutilized banking facilities of RMB3,228.7 million; in addition, in each of 2022 and 2023, we generated positive cash flow from our operating activities. As such, we believe our liquidity position also supports our sustainable future growth.

## USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$927.5 million at the Offer Price of HK$8.27 per Share, after deducting the underwriting fees and commissions (assuming the full payment of the discretionary incentive fee) and estimated expenses payable by the Company.

We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

- approximately 80.0% of the net proceeds, or HK$749.1 million (equivalent to approximately RMB684.7 million), will be used for the expansion of our production capacity and to construct intelligent manufacturing facilities and flexible manufacturing lines;

- approximately 10.0% of the net proceeds, or HK$92.8 million (equivalent to approximately RMB85.6 million), will be used for various R&D activities; and

- approximately 10.0% of the net proceeds, or HK$92.8 million (equivalent to approximately RMB85.6 million), will be used for providing funding for working capital and other general corporate purposes.

For more details on our use of proceeds, see "Future Plans and Use of Proceeds—Use of Proceeds."

## LISTING EXPENSES

The following table sets forth a breakdown of the listing expenses for the Global Offering at the Offer Price of HK$8.27 per Share (assuming the Over-allotment Option is not exercised).

| **Listing Expenses** | **Based on an Offer Price of HK$8.27** |
|---|---|
| | *(HK$ in thousands)* |
| **Non-underwriting related expenses** | |
| Legal and audit expenses | 30,289 |
| Other expenses | 12,360 |
| **Underwriting related expenses** | 34,901 |
| **Total** | **77,550** |

We expect that approximately RMB39.5 million (HK$42.8 million) of listing expenses have been/will be charged to our statements of profit or loss and other comprehensive income, of which RMB29.3 million (HK$31.7 million) has been so charged in 2024. We expect that approximately RMB32.1 million (HK$34.8 million) relating to listing expenses directly attributable to the issue of shares will be deducted from equity.

## GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that: (i) the Global Offering is completed and 121,523,700 Offer Shares are issued and sold in the Global Offering; and (ii) the Over-Allotment Option is not exercised:

| | **Based on an Offer Price of HK$8.27 per H Share** |
|---|---|
| Market capitalization of our Shares(1) | HK$20,745.3 million |
| Market capitalization of our H shares(2) | HK$11,903.6 million |
| Unaudited pro forma adjusted consolidated net tangible assets per Share(3) | HK$2.75 |

*Notes:*

(1) The calculation of market capitalization is based on 2,508,500,103 Shares expected to be in issue immediately upon completion of the Global Offering.

(2) The calculation of the market capitalization of our H Shares is based on the 1,439,372,739 H Shares, comprising 121,523,700 H Shares to be issued under the Global Offering and 1,317,849,039 H Shares to be converted from Unlisted Shares, expected to be in issue immediately upon completion of the Global Offering.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company and the amounts per share are arrived at after the adjustments referred to in "Appendix II—Unaudited Pro Forma Financial Information" and on the basis that 2,508,500,103 shares were in issue assuming the Global Offering had been completed on December 31, 2024, without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by the Company.

## APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our H Shares to be converted from the Unlisted Shares, and our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the Over-allotment Option). Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Monday, April 14, 2025. No part of our H Shares is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought in the near future.

Our listing application is made on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to: (i) our revenue for the year ended December 31, 2024, being approximately RMB5,130.3 million, which is over HK$500 million as required by Rule 8.05(3) of the Listing Rules; and (ii) our expected market capitalization based on the Offer Price at the time of Listing which exceeds HK$4 billion as required by Rule 8.05(3) of the Listing Rules.

## DIVIDEND

During the Track Record Period, we did not declare or pay any dividends. As of the Latest Practicable Date, we did not have a formal dividend policy or a fixed dividend payout ratio. The Board has approved a dividend policy, which will become effective upon Listing. Under the dividend policy, we may provide our Shareholders with interim or annual dividends as the Board deems appropriate. The Board will consider, among other things, the following factors when proposing dividends and determining the amount of dividends: (i) our actual and projected financial performance; (ii) our estimated working capital requirements, capital expenditure requirements and future business expansion plan; (iii) our present and future cash flow; (iv) other internal and external factors that may have an impact on our business operations or financial performance and position; and (v) other factors that our Board deem relevant.

Any declaration and payment as well as the amount of dividends will be subject to our Articles of Association and applicable laws and regulations. The declaration and payment of any dividends in the future will be determined by our shareholders' meeting, in its discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements, overall financial condition and contractual restrictions. We may by ordinary resolution resolve to declare dividends in any currency and authorize payment of the dividends out of the funds of our Company lawfully available. There is no assurance that dividends of any amount will be declared to be distributed in any year. We will continue to re-evaluate our dividend policy in light of our financial condition and the prevailing economic environment.

## IMPACT OF COVID-19

The outbreak of COVID-19 pandemic has materially and adversely affected the global economy since the first quarter of 2020. The COVID-19 pandemic has made it more restrictive for overseas raw material supplies to enter China due to customer control measures imposed during the COVID-19 pandemic, which partially led to a raw material shortage and drove up prices in 2021 and 2022. In addition, freight costs for overseas shipment also increased significantly during the COVID-19 pandemic, which also drove up the raw material prices. The COVID-19 pandemic also negatively affected the mobility of some of our employees. However, the impact of COVID-19 on our overall production and R&D process was limited. We implemented various precautionary measures in response to COVID-19. During the Track Record Period and up to the Latest Practicable Date, we did not experience temporary closure or shutdown of our offices or production facilities due to the COVID-19 pandemic, and our production activities did not encounter any material disruption, nor has our product delivery been materially affected. Accordingly, our Directors believe that the outbreak of COVID-19 has not had, and will not have, any material adverse impact on our business, financial condition or results of operations.

## RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Price for lithium carbonate in January and February 2025 was RMB76.7 thousand per ton and RMB76.3 thousand per ton, respectively. Changes in prices for lithium carbonate since 2024 were driven by the rebalancing of lithium carbonate supply-demand and cost-driven market adjustments triggered by low-cost salt lake expansions in South America and African lithium projects. Such prices are expected to continue to decrease in the near future, according to Frost & Sullivan. During the Track Record Period, raw material prices for lithium carbonate showed a declining trend. According to Frost & Sullivan, the average raw material price for lithium carbonate in January 2023 was RMB485.1 thousand per ton, which decreased to RMB76.3 thousand per ton in December 2024.

Our Directors confirmed that, up to the date of this Prospectus, there has been no material adverse change in our financial or trading position or prospects since December 31, 2024, and there has been no event since December 31, 2024 that would materially affect the information as set out in the accountants' report included in Appendix I of the Prospectus. According to Frost & Sullivan, as of the date of this Prospectus, there have not been any material changes in the industry and market environment since December 31, 2024 that would have a material adverse impact on our business operations. As of the date of this Prospectus, there have been no key government policies that would have a material adverse impact on our business and financial performance.

*In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this Prospectus.*

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| "Accountants' Report" | the accountants' report prepared by Ernst & Young, details of which are set out in Appendix I |
| "affiliate(s)" | with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person |
| "AFRC" | the Accounting and Financial Reporting Council of Hong Kong |
| "AIC" | Administration of Industry & Commerce (工商行政管理局) of the PRC (now known as the Administration for Market Regulation (市場監督管理局)) or, where the context so requires, the SAMR or its delegated authority at the provincial, municipal or other local level |
| "Articles of Association" or "Articles" | the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix III |
| "associate(s)" | has the meaning ascribed to it under the Listing Rules |
| "Audit Committee" | the audit committee of the Board |
| "Board" or "our Board" | the board of Directors |
| "Business Day" | a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong |
| "CABIA" | China Automotive Battery Innovation Alliance |
| "Capital Market Intermediaries" or "capital market intermediary(ies)" or "CMI(s)" | the capital market intermediaries participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules |
| "CCASS" | the Central Clearing and Settlement System established and operated by HKSCC |

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| "China", "Mainland China" or "PRC" | the People's Republic of China which, for the purpose of this Prospectus and for geographical reference only, excluding Hong Kong, Macao Special Administrative Region of the People's Republic of China, and Taiwan Region |
| "close associate(s)" | has the meaning ascribed thereto under the Listing Rules |
| "Companies (Winding Up and Miscellaneous Provisions) Ordinance" | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| "Companies Ordinance" | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| "Company", "our Company", or "the Company" | Jiangsu Zenergy Battery Technologies Group Co., Ltd. (江蘇正力新能電池技術股份有限公司), a limited liability company incorporated in the PRC on February 26, 2019 as Jiangsu Zenergy Battery Technology Company Limited (江蘇正力新能電池技術有限公司) and converted into a joint stock company with limited liability on July 17, 2024 |
| "Compliance Adviser" | Maxa Capital Limited |
| "connected person(s)" | has the meaning ascribed thereto under the Listing Rules |
| "connected transaction(s)" | has the meaning ascribed thereto under the Listing Rules |
| "Controlling Shareholder(s)" | has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, refers to Ms. Cao and Dr. Chen, together with their close associates, namely Zhengli Consulting, Zenergy Investment, SINOGY VC, Nanjing Miaode, Nanjing Xuande, Zhengli No. 1 and Zhengli No. 2. See "Relationship with Our Controlling Shareholders" for details |
| "Corporate Governance Code" | the Corporate Governance Code set out in Appendix C1 to the Listing Rules |
| "CSDCC" | China Securities Depositary and Clearing Corporation Limited (中國證券登記結算有限責任公司) |

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| "CSRC" | the China Securities Regulatory Commission (中國證券監督管理委員會) |
| "Director(s)" | the director(s) of our Company |
| "Dongguan Zenergy" | Dongguan Zenergy Battery Technologies Co., Ltd. (東莞正力新能電池技術有限公司), a limited liability company established in the PRC on December 27, 2021 and one of our subsidiaries |
| "Dr. Chen" | Dr. Chen Jicheng (陳繼程), our executive Director, general manager and one of our Controlling Shareholders |
| "EIT" | the PRC enterprise income tax |
| "EIT Law" | the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time |
| "Equity Incentive Platforms" | the pre-IPO equity incentive platforms of our Group, namely Nanjing Xuande, Nanjing Mude, Nanjing Chengde, Nanjing Gande, Nanjing Yinde, Zhengli No. 1, Zhengli No. 2, Zhengli No. 3, Zhengli No. 4, Zhengli No. 5, Zhengli No. 6, Zhengli No. 7, Zhengli No. 8 and Zhengli No. 9 |
| "Exchange Participant" | a person (a) who, in accordance with the Rules of the Hong Kong Stock Exchange, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange |
| "Extreme Conditions" | extreme conditions as announced by the government of Hong Kong in the case where a super typhoon or other natural disaster of a substantial scale serious affects the working public's ability to resume work or brings safely concern for a prolonged period |
| "FINI" | "Fast Interface for New Issuance", the online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for the Listing |

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| "Frost & Sullivan" | Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party |
| "Frost & Sullivan Report" | an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this Prospectus |
| "General Rules of HKSCC" | General Rules of HKSCC published by the Stock Exchange and as amended from time to time |
| "Global Offering" | the Hong Kong Public Offering and the International Offering |
| "Group", "our Group", "we" or "us" | our Company, its subsidiaries from time to time and the legal entities the financial results of which had been consolidated into our consolidated financial statements as included in Appendix I to this Prospectus, or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time (or our Company and any one or more of our subsidiaries, as the context may require) |
| "Guide for New Listing Applicants" | the Guide for New Listing Applicants issued by the Hong Kong Stock Exchange effective from January 1, 2024, as amended, supplemented or otherwise modified from time to time |
| "H Share(s)" | listed ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is/are to be subscribed for and traded in HK dollars and to be listed on the Hong Kong Stock Exchange |
| "H Share Registrar" | Computershare Hong Kong Investor Services Limited |
| "HK$" or "Hong Kong dollars" or "HK dollars" | Hong Kong dollars, the lawful currency of Hong Kong |
| "HKSCC" | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |

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| "HKSCC EIPO" | the application for Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC's FINI system to apply for Hong Kong Offer Shares on your behalf |
| "HKSCC Nominees" | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC |
| "HKSCC Operational Procedures" | the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC's services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force |
| "HKSCC Participant" | a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant |
| "Hong Kong" or "HK" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong Offer Shares" | the 12,152,400 H Shares offered by us for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering") |
| "Hong Kong Public Offering" | the offering of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to reallocation as described in the section headed "Structure of the Global Offering") at the Offer Price (plus brokerage, SFC transaction levy, Hong Kong Stock Exchange trading fee and AFRC transaction levy), on and subject to the terms and conditions described in the section headed "Structure of the Global Offering" |

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| "Hong Kong Stock Exchange" or "Stock Exchange" | The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchange and Clearing Limited |
| "Hong Kong Takeovers Code" or "Takeovers Code" | the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time |
| "Hong Kong Underwriters" | the underwriters listed in the paragraph headed "Underwriting—Hong Kong Underwriters", being the underwriters of the Hong Kong Public Offering |
| "Hong Kong Underwriting Agreement" | the underwriting agreement dated April 2, 2025, relating to the Hong Kong Public Offering entered into by our Company, the Controlling Shareholders, the Joint Representatives and the Hong Kong Underwriters, as further described in "Underwriting—Underwriting Arrangements—Hong Kong Public Offering—Hong Kong Underwriting Agreement" |
| "IFRS" | the International Financial Reporting Standards |
| "Independent Third Party(ies)" | any entity(ies) or person(s) who is not a connected person of our Company within the meaning of the Hong Kong Listing Rules |
| "International Offer Shares" | the 109,371,300 H Shares offered by our Company pursuant to the International Offering (subject to reallocation as described in the section headed "Structure of the Global Offering") together with any additional H Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option |
| "International Offering" | the offering of the International Offer Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S and subject to the terms and conditions of the International Underwriting Agreement, as further described in the section headed "Structure of the Global Offering" |
| "International Underwriters" | the underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering |

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| "International Underwriting Agreement" | the underwriting agreement relating to the International Offering expected to be entered into on or about April 10, 2025 by, among others, our Company and the International Underwriters, as further described in the section headed "Underwriting—Underwriting Arrangements—International Offering" |
| "Jiangsu Aiev" | Jiangsu Aiev New Energy Technologies Co., Ltd (江蘇愛騁新能源科技有限公司), a limited liability company incorporated in the PRC on November 21, 2017 |
| "Jiangsu TAFEL" | Jiangsu TAFEL New Energy Technology Co., Ltd. (江蘇塔菲爾新能源科技股份有限公司), a joint stock company with limited liability incorporated in the PRC on July 14, 2017 |
| "Joint Bookrunners" | the joint bookrunners of the Listing as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" |
| "Joint Global Coordinators" | the joint global coordinators of the Listing as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" |
| "Joint Lead Managers" | the joint lead managers of the Listing as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" |
| "Joint Representatives" | the joint representatives as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" |
| "Joint Sponsors" | the joint sponsors of the Listing as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" |
| "Latest Practicable Date" | March 26, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus prior to its publication |
| "Listing" | the listing of our H Shares on the Main Board |
| "Listing Committee" | the listing committee of the Hong Kong Stock Exchange |

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| "Listing Date" | the date, expected to be on or about Monday, April 14, 2025, on which the H Shares are to be listed and on which dealings in the Shares are to be first permitted to take place on the Hong Kong Stock Exchange |
| "Listing Rules" or "Hong Kong Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time |
| "Main Board" | the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange |
| "MIIT" | Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) |
| "Ministry of Finance" or "MOF" | the Ministry of Finance of the PRC (中華人民共和國財政部) |
| "MOFCOM" or "Ministry of Commerce" | the Ministry of Commerce of the PRC (中華人民共和國商務部) |
| "Ms. Cao" | Ms. Cao Fang (曹芳), the chairperson of the Board, our executive Director and one of our Controlling Shareholders |
| "Nanjing Chengde" | Nanjing Chengde Enterprise Management Consulting Partnership (Limited Partnership) (南京澄德企業管理顧問合夥企業(有限合夥)), a limited partnership incorporated in the PRC on April 3, 2018, which is an Equity Incentive Platform |
| "Nanjing Gande" | Nanjing Gande Enterprise Management Consulting Partnership (Limited Partnership) (南京淦德企業管理顧問合夥企業(有限合夥)), a limited partnership incorporated in the PRC on April 3, 2018, which is an Equity Incentive Platform |
| "Nanjing Miaode" | Nanjing Miaode Enterprise Management Consulting Partnership (Limited Partnership) (南京淼德企業管理顧問合夥企業(有限合夥)), a limited partnership established in the PRC on July 7, 2017, and one of our Controlling Shareholders |

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| "Nanjing Mude" | Nanjing Mude Enterprise Management Consulting Partnership (Limited Partnership) (南京沐德企業管理顧問合夥企業(有限合夥)), a limited partnership incorporated in the PRC on April 3, 2018, which is an Equity Incentive Platform |
| "Nanjing Xuande" | Nanjing Xuande Enterprise Management Consulting Partnership (Limited Partnership) (南京泫德企業管理顧問合夥企業(有限合夥)), a limited partnership established in the PRC on July 7, 2017, which is an Equity Incentive Platform and one of our Controlling Shareholders |
| "Nanjing Yinde" | Nanjing Yinde Enterprise Management Consulting Partnership (Limited Partnership) (南京胤德企業管理顧問合夥企業(有限合夥)), a limited partnership incorporated in the PRC on April 3, 2018, which is an Equity Incentive Platform |
| "Nanjing Zenergy" | Nanjing Zenergy Battery Technologies Co., Ltd. (南京正力新能電池技術有限公司), a limited liability company established in the PRC on December 27, 2021 and one of our subsidiaries |
| "NDRC" | National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) |
| "Nomination Committee" | the nomination committee of the Board |
| "Offer Price" | the offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%) at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering as described in the section headed "Structure of the Global Offering" |
| "Offer Share(s)" | the Hong Kong Offer Shares and the International Offer Shares, with any additional H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option |

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| "Over-allotment Option" | the option granted by us to the International Underwriters, exercisable by the Joint Representatives (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, to require our Company to allot and issue up to an aggregate of 18,228,300 additional H Shares at the Offer Price, representing approximately 15.0% of the Offer Shares initially available under the Global Offering, to cover, among other things, over-allocations in the International Offering, if any, exercisable at any time from the date of the International Underwriting Agreement up to (and including) the date which is the 30th day from the last day for lodging of applications under the Hong Kong Public Offering |
| "Overall Coordinator(s)" | the overall coordinators as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" |
| "Overseas Listing Trial Measures" | The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines (《境內企業境外發行證券和上市管理試行辦法》及五項配套指引) promulgated by the CSRC on February 17, 2023 which became effective on March 31, 2023 |
| "PBOC" | the People's Bank of China (中國人民銀行), the central bank of the PRC |
| "PRC Company Law" | Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time |
| "PRC GAAP" | generally accepted accounting principles in the PRC |
| "PRC Legal Adviser" | Fangda Partners, our legal adviser on PRC laws in connection with the Global Offering |
| "Pre-IPO Equity Incentive Plans" | the Share Option Plan and the Share Incentive Plan |
| "Pre-IPO Investment(s)" | the investment(s) in our Group undertaken by the Pre-IPO Investors prior to this initial public offering, the details of which are set out in "History, Reorganization and Corporate Structure" |

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| "Pre-IPO Investor(s)" | the investor(s) making investments in our Group prior to this initial public offering as set out in "History, Reorganization and Corporate Structure" |
| "Prospectus" | this prospectus being issued in connection with the Hong Kong Public Offering |
| "Regulation S" | Regulation S under the U.S. Securities Act |
| "Remuneration and Evaluation Committee" | the remuneration and evaluation committee of the Board |
| "Renminbi" or "RMB" | the lawful currency of the PRC |
| "SAFE" | the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) |
| "SAIC" | the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), the function of which has now been merged into the SAMR |
| "SAMR" | the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局) |
| "SAT" | the State Taxation Administration of the PRC (中華人民共和國國家稅務總局) |
| "Series B Pre-IPO Investments" | the Series B Pre-IPO Investments conducted by our Company as described in "History, Reorganization and Corporate Structure" |
| "SFC" | the Securities and Futures Commission of Hong Kong |
| "SFO" or "Securities and Futures Ordinance" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| "Share(s)" | ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, comprising Unlisted Shares and H Shares |

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| "Share Incentive Plan" | the pre-IPO share incentive plan of our Company approved and adopted on February 24, 2022, as amended from time to time, a summary of the principal terms of which is set forth in "Statutory and General Information—Pre-IPO Equity Incentive Plans" in Appendix IV |
| "Share Option Plan" | the pre-IPO share option plan of our Company approved on January 20, 2023 and effective from December 31, 2021, as amended from time to time, a summary of the principal terms of which is set forth in "Statutory and General Information—Pre-IPO Equity Incentive Plans" in Appendix IV |
| "Shareholder(s)" | holder(s) of our Share(s) |
| "SINOGY VC" | Changshu SINOGY Venture Capital Co., Ltd. (常熟新中源創業投資有限公司), a limited liability company incorporated in the PRC on March 15, 2013, and one of our Controlling Shareholders |
| "Sponsor-Overall Coordinators" | the sponsor-overall coordinators of the Listing as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" |
| "Stabilizing Manager" | China International Capital Corporation Hong Kong Securities Limited |
| "STAES" | Sinogy Toyota Automotive Energy System Co., Ltd. (新中源豐田汽車能源系統有限公司), a limited liability company incorporated in the PRC on November 12, 2013, owned by (i) our Company as to 50%; (ii) Toyota Motor Corporation (a company listed on Tokyo Stock Exchange and Nagoya Stock Exchange (stock code: 7203), on New York Stock Exchange (ticker: TM) and on London Stock Exchange (stock code: TYT)) as to 35%; (iii) Toyota Battery Co., Ltd. (豐田電池有限公司) (formerly known as Primearth EV Energy 株式会社) as to 10%; and (iv) Toyota Motor (China) Investment Co., Ltd. (豐田汽車(中國)投資有限公司) as to 5% |
| "State Council" | the State Council of the PRC (中華人民共和國國務院) |
| "subsidiary(ies)" | has the meaning ascribed to it under the Listing Rules |

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| "substantial shareholder(s)" | has the meaning ascribed to it under the Listing Rules |
| "Supervisor(s)" | supervisor(s) of the Company |
| "Supervisory Committee" | the committee of the Supervisors |
| "Suzhou ZENIO" | Suzhou ZENIO New Energy Technologies Co., Ltd. (蘇州正力新能源科技有限公司), a limited liability company incorporated in the PRC on December 5, 2016 and a wholly-owned subsidiary of our Company |
| "Track Record Period" | the financial years ended December 31, 2021, 2022, 2023 and 2024 |
| "treasury shares" | has the meaning ascribed to it under the Listing Rules |
| "U.S. Government" | the federal government of the United States, including its executive, legislative and judicial branches |
| "U.S. persons" | U.S. persons as defined in Regulation S |
| "U.S. Securities Act" | United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time |
| "Underwriters" | the Hong Kong Underwriters and the International Underwriters |
| "Underwriting Agreements" | the Hong Kong Underwriting Agreement and the International Underwriting Agreement |
| "Unlisted Share(s)" | ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are not listed on any stock exchange |
| "United States", "USA" or "U.S." | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| "US$" or "U.S. dollars" | United States dollars, the lawful currency of the U.S. |
| "VAT" | value-added tax |
| "**White Form eIPO**" | the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the designated website of the **White Form eIPO** Service Provider at **www.eipo.com.hk** |

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| "**White Form eIPO** Service Provider" | Computershare Hong Kong Investor Services Limited |
| "WM Customer" | Weilmaister New Energy Automotive Parts (Wenzhou) Co., Ltd. and Weima New Energy Vehicle Sales (Shanghai) Co., Ltd. |
| "Zenergy Investment" | Changshu Zenergy Investment Co., Ltd. (常熟正力投資有限公司), a limited liability company incorporated in the PRC on August 10, 2016 and held as to 46%, 42% and 12% by Dr. Chen, Ms. Cao and SINOGY VC, respectively, and one of our Controlling Shareholders |
| "Zhengli Consulting" | Changshu Zhengli Management Consulting Co., Ltd. (常熟正力管理諮詢有限公司), a limited liability company incorporated in the PRC on October 28, 2021 and held by each of Ms. Cao and Dr. Chen as to 50%, respectively, and one of our Controlling Shareholders |
| "Zhengli No. 1" | Changshu Zhengli No. 1 Management Consulting Partnership (Limited Partnership) (常熟正力壹號管理諮詢合夥企業(有限合夥)), a limited partnership incorporated in the PRC on March 25, 2022, which is an Equity Incentive Platform and one of our Controlling Shareholders |
| "Zhengli No. 2" | Changshu Zhengli No. 2 Management Consulting Partnership (Limited Partnership) (常熟正力貳號管理諮詢合夥企業(有限合夥)), a limited partnership incorporated in the PRC on April 29, 2022, which is an Equity Incentive Platform and one of our Controlling Shareholders |
| "Zhengli No. 3" | Changshu Zhengli No. 3 Management Consulting Partnership (Limited Partnership) (常熟正力叁號管理諮詢合夥企業(有限合夥)), a limited partnership incorporated in the PRC on March 26, 2022, which is an Equity Incentive Platform |
| "Zhengli No. 4" | Changshu Zhengli No. 4 Management Consulting Partnership (Limited Partnership) (常熟正力肆號管理諮詢合夥企業(有限合夥)), a limited partnership incorporated in the PRC on March 26, 2022, which is an Equity Incentive Platform |

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| "Zhengli No. 5" | Changshu Zhengli No. 5 Management Consulting Partnership (Limited Partnership) (常熟正力伍號管理諮詢合夥企業(有限合夥)), a limited partnership incorporated in the PRC on March 26, 2022, which is an Equity Incentive Platform |
| "Zhengli No. 6" | Changshu Zhengli No. 6 Management Consulting Partnership (Limited Partnership) (常熟正力陸號管理諮詢合夥企業(有限合夥)), a limited partnership incorporated in the PRC on March 26, 2022, which is an Equity Incentive Platform |
| "Zhengli No. 7" | Changshu Zhengli No. 7 Management Consulting Partnership (Limited Partnership) (常熟正力柒號管理諮詢合夥企業(有限合夥)), a limited partnership incorporated in the PRC on March 26, 2022, which is an Equity Incentive Platform |
| "Zhengli No. 8" | Changshu Zhengli No. 8 Management Consulting Partnership (Limited Partnership) (常熟正力捌號管理諮詢合夥企業(有限合夥)), a limited partnership incorporated in the PRC on March 31, 2022, which is an Equity Incentive Platform |
| "Zhengli No. 9" | Changshu Zhengli No. 9 Management Consulting Partnership (Limited Partnership) (常熟正力玖號管理諮詢合夥企業(有限合夥)), a limited partnership incorporated in the PRC on March 26, 2022, which is an Equity Incentive Platform |
| "%" | per cent |

*Certain amounts and percentage figures included in the Prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including our subsidiaries) have been included in this Prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.*

*In this Prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in this Prospectus in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms, and may not be comparable to similarly terms adopted by other companies.*

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| ""5-3-1" R&D strategy" | Our research and development strategy, under which our research institute is responsible for analyzing and preparing for the development trends in battery material and related technologies of the next five years; our platform center is responsible for establishing the requisite R&D platform and capabilities to carry out the relevant R&D work for the next three years; and our product center is responsible for designing the detailed technologies and product specs for battery products for launch in the next one year |
| "Ah" | Amp-hour, battery capacity unit |
| "Battery grade lithium carbonate" | Lithium carbonate whose quality reaches the YS/T582-2006 standard, is mainly used in the production of Lithium-Ion battery materials |
| "BEV" or "battery electric vehicle" | Battery electric vehicle, a type of vehicle propelled entirely by battery-powered electric motors, without using internal combustion engines |
| "BIZ Platform" | Zenergy big data intelligence platform |
| "BMS" | Battery management system |
| "C" or "C-rate" | Charge or discharge rate, which refers to the rate at which a battery is charged or discharged relative to its total capacity and is an industry term. A charging current of 2C, 3C, 4C, 6C, and 12C implies that the battery can be fully charged in 1/2, 1/3, 1/4, 1/6 and 1/12 of an hour, respectively |
| "CAGR" | Compound annual growth rate |
| "Cell" | Battery cell |

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| "CLTC" | China Light-Duty Vehicle Test Cycle, a standard used in China to measure the driving range and efficiency of vehicles |
| "CMC" | Carboxymethyl cellulose |
| "CNAS" | China National Accreditation Service for Conformity Assessment |
| "CNT" | Carbon nanotube |
| "CTC" | Cell to chassis, also called cell-to-body, is a technology to install the battery cells seamlessly into a car's structure |
| "CTMTP" | Cell to module to pack, a technology install cells in forms of modules and packs in order to safely and efficiently manage battery cells mounted in an electric vehicle |
| "CTP" | Cell to pack, an approach used to integrate battery cells directly into battery packs without the intermediate step of modules |
| "cycle life" | Or life cycle, refers to the number of times (or cycles) that the EV or ESS battery can undergo the process of complete charging and discharging until the end of its life, and the end life of an EV or ESS battery generally indicates that the available capacity of the battery has decay to 80% or 70% of its designed capacity |
| "die-cutting stage" | A stage of manufacturing battery products, which involves customizing a die by cutting, shaping, or shearing it to create a certain shape, design, or structure |
| "Electrode" | A structure of Lithium-Ion battery products which composed of components such as active materials, binders, conductive agents and collectors |
| "EMS" | Energy management system |
| "energy density" | The amount of energy that can be contained in a battery relative to its volume or weight, expressed in Wh/L or Wh/kg |

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| "EREV" | Extended-range electric vehicle, a type of electric vehicle (EV) that primarily operates as a battery electric vehicle (BEV) but includes a small internal combustion engine (ICE) or generator to extend the vehicle's driving range when the battery is depleted |
| "ERP system" | Enterprise Resource Planning system |
| "ESS" | energy storage system, a device that can store and output power, consists of multiple subsystems such as battery system and energy management system |
| "EV" or "electric vehicle" | New energy vehicles, mainly comprising of battery electric vehicles and plug-in hybrid electric vehicles |
| "EV battery system" | Usually known as the EV battery pack, which is used in electric vehicles and consists of cells, modules, battery management systems and others |
| "FVTPL" | Fair value through profit and loss |
| "GB 19578-2021" | PRC National Standard: <Fuel consumption limits for passenger cars> |
| "GB 38031" | PRC National Standard: <Electric vehicles traction battery safety requirements> |
| "GB 38031-2020" | PRC National Standard: "Electric vehicles traction battery safety requirements", which was issued on May 12, 2020 |
| "GB/T23001-2017" | national standard for integration of informatization and industrialization management systems requirements issued by Standardization Administration of China |
| "GB/T 31484" | PRC National Standard: <Cycle life requirements and test methods for traction battery of electric vehicle> |
| "GB/T 31486" | PRC National Standard: <Electrical performance requirements and test methods for traction battery of electric vehicle> |

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| "gravimetric energy density" | Gravimetric energy density measures the amount of energy stored in a battery relative to its weight, typically expressed in watt-hours per kilogram (Wh/kg). Higher gravimetric energy density means the battery can store more energy for its weight, which is crucial for applications like electric vehicles where weight impacts performance and efficiency |
| "GWh" | The unit of electricity, KWh is the degree, 1 GWh=1,000,000 KWh |
| "HEV" | Hybrid electric vehicle, a type of vehicle that combines a conventional internal combustion engine (ICE) with an electric motor and battery to improve fuel efficiency and reduce emissions |
| "High nickel cathode material" | A ternary cathode material with a high nickel content |
| "HR System" | Human Resource System |
| "IATF16949" | International technical specification of automotive industry quality management system, which prepared by IATF (International Automotive Task Force) and ISO (International Organization for Standardization) |
| "ICE" | internal combustion engine |
| "IEC 62619" | *Secondary cells and batteries containing alkaline or other non-acid electrolytes—Safety requirements for secondary lithium cells and batteries for use in industrial applications*, which released by International Electrotechnical Commission (IEC) |
| "IKW" | "Identify, Knowledge & Win," one of our two platforms that constitute our management system under which we manage and operate our business |
| "installed capacity" or "installation" | The volume of battery products installed in EVs or ESSs, usually expressed in electricity unit of GWh, MWh, or KWh |

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| "integration efficiency" | Integration efficiency refers to how effectively a battery can be integrated into a system, considering factors like energy conversion, power management, and compatibility with other system components. High integration efficiency means the battery operates optimally within the system, maximizing performance and minimizing electrical, thermal and management losses |
| "iron phosphate" | Iron phosphate, also known as high iron phosphate and iron orthophosphate, with molecular formula FePO4, is a white, off-white monoclinic crystal powder, and is a compound used to synthesize lithium iron phosphate battery cathode materials |
| "ISO14001" | Environmental Management System, which released by ISO (International Organization for Standardization) |
| "ISO45001" | Occupational Health and Safety Management System, which released by ISO (International Organization for Standardization) |
| "ISO50001" | Energy Management System, which released by ISO (International Organization for Standardization) |
| "ISO9001" | International Quality Management System, which released by ISO (International Organization for Standardization) |
| "ISO/IEC 17025: 2017" | "General Requirements for Competence of Testing and Calibration Laboratories," an international standard for testing and calibration laboratories |
| "LCO" | Lithium cobalt oxide ($LiCoO_2$) |
| "LES" | Logistics execution system |
| "LFP" | a lithium-ion battery that uses lithium iron phosphate ($LiFePO_4$) as the cathode material |
| "LFP battery" | A Lithium-Ion battery that uses lithium iron phosphate ($LiFePO_4$) as the cathode material |

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| "LISA" | Interconnected land, sea and air application scenarios for our battery products |
| "lithium" | A metal chemical element, of which the element symbol is Li, and the atomic number is 3 |
| "lithium carbonate" | A common lithium compound with the chemical formula $Li_2CO_3$. It is the most widely used lithium product with broad application range. It is classified into industrial grade lithium carbonate, battery grade lithium carbonate and high-purity lithium carbonate due to its different purity levels |
| "Lithium hydroxide" | A common lithium compound whose molecular formula is LiOH. When it comes to lithium hydroxide, it generally refers to lithium hydroxide monohydrate in the industry, which is mainly used in lubricants, purifiers, catalysts and other industries. Lithium hydroxide monohydrate is a common lithium compound whose molecular formula is $LiOH.H_2O$. It is the main lithium hydroxide product in the lithium product market, widely known as lithium hydroxide for short in the industry |
| "Lithium metal" | Elemental lithium metal, mainly used in lithium alloys, nuclear industry, batteries, aviation industry manufacturing and other industries. Spodumene refers to an ore containing lithium with LiAl $(Si_2O_6)$ as its chemical formula. It is mainly used in the production of lithium carbonate and the production of additives in the glass and ceramic industries |
| "lithium thionyl chloride" | Also called Li-SOCl2, a type of cell batteries where electrolyte based on sulfonated thionyl chloride serves as the positive electrode |
| "Lithium-Ion battery" | Rechargeable battery that composes of cells in which lithium ions move from the negative electrode through electrolytes to the positive electrode during discharge and back when charging |
| "LMFP" | Lithium manganese iron phosphate (LiMnxFe1−xPO4) |
| "mass energy density" | The amount of energy that can be contained within a given mass |

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| "MES system" | Manufacturing execution system |
| "Module" | Battery module |
| "MWh" | The unit of electricity, KWh is the degree, 1MWh=1,000KWh |
| "nail penetration test" | A type of safety testing done to simulate internal short circuiting. Such test requires that the EV battery pack to not explode or catch fire due to thermal runaway when it is entirely penetrated by a steel nail under required conditions |
| "NCA" | Lithium nickel cobalt aluminum oxide ($Li(Ni_XCo_YAl_Z)O_2$), which can be used as cathode materials for ternary batteries |
| "NCM" | A type of lithium-ion battery chemistry that uses a combination of Nickel (Ni), Cobalt (Co), and Manganese (Mn) as key materials in the cathode. Given different ratios of nickel, cobalt, and manganese, it can be classified into NCM523, NCM613, NCM811, etc. |
| "NiMH" | Nickel metal hydride, a type of rechargeable battery commonly used in various applications, including hybrid electric vehicles (HEVs), consumer electronics, and power tools. It is named after the materials used in its composition: nickel oxide hydroxide (NiOOH) as the positive electrode (cathode) and a hydrogen-absorbing alloy as the negative electrode (anode) |
| "NMP" | N-methylpyrrolidone, which is a chemical that is widely used during the manufacture and production of petrochemicals, electronics and plastic material and resin manufacturing |
| "OA System" | Office Automation System |
| "OAC" | Operation Approval Committee, one of our organizations that constitute our management system |
| "OEM" | Automotive original equipment manufacturer |

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| "PAC" | Product Approval Committee, one of our organizations that constitute our management system |
| "PDCA" | Plan-Do-Check-Act, a problem-solving iterative technique that uses four steps to improve business processes |
| "peak discharge rate" | The maximum rate at which a battery can discharge energy, usually expressed as a multiple of the battery's capacity (Crate). A higher peak discharge rate allows the battery to deliver more power quickly, which is important for applications requiring sudden bursts of energy, such as acceleration in electric vehicles |
| "PHEV" | Plug-in hybrid electric vehicle (including REV), a type of vehicle that combines a battery-powered electric motor with an internal combustion engine (ICE) |
| "PLM system" | Product Lifecycle Management System |
| "PVDF" | Polyvinylidene difluoride which is a highly non-reactive thermoplastic fluoropolymer produced by the polymerization of vinylidene difluoride |
| "R&D" | Research and development |
| "SAP" | System analysis program development |
| "SARMO action" | Supply chain, Artificial intelligence, Research and development, Marketing, and Operation. They constitute our key performance indicators |
| "Solid electrolyte" | A new type of electrolyte in which the electrolyte changes from liquid to solid. According to the content of the electrolyte, it is divided into semi-solid electrolyte, solid electrolyte, etc. |
| "small capacity battery" | Battery with capacity of less than 100Ah |
| "SRM System" | Supplier relationship management system |

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| "state of charge" | Also called SOC, the current level of charge in a battery compared to its capacity, expressed as a percentage. For example, reaching 80% state of charge means the battery is charged to 80% of its total capacity |
| "Super P Li black carbon" | Mainly used for improving conductivity of active materials |
| "TAC" | Technology Approval Committee, one of our organizations that constitute our management system |
| "ternary battery" or "ternary lithium battery" | Lithium-Ion battery whose cathode material composes of three elements in two forms: nickel-cobalt-manganese, or nickel-cobalt-aluminum |
| "thermal propagation" | Sequential occurrence of thermal runaway within a battery system triggered by thermal runaway of a cell in that battery system |
| "UL1642" | Standard for Lithium Batteries, which released by Underwriters Laboratories Inc. |
| "UL1973" | Standard for Batteries for Use in Stationary and Motive Auxiliary Power Applications, which released by Underwriters Laboratories Inc. |
| "UL 9540A" | Standard for Test Method for Evaluating Thermal Runaway Fire Propagation in Battery Energy Storage Systems, which released by Underwriters Laboratories Inc. |
| "UN38.3" | The prevailing United Nations standard that lithium batteries must meet to receive certification for safe transport, which refers to Section 38.3 of Part 3 of the "United Nations Manual of Tests and Standards for the Transport of Dangerous Goods" |
| "V" | Basic unit of voltage |
| "VDA" | German Association of the Automotive Industry |

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| "volumetric energy density" | The amount of energy that can be contained in a battery relative to its volume, expressed in watt-hours per liter (Wh/L). It indicates how much energy can be packed into a given space, important for applications with size constraints like portable electronics or certain vehicle designs |
| "WCS system" | Warehouse control system |
| "Wh/kg" | Watt hour/kilogram |
| "WMS system" | Warehouse management system |

We have included in this Prospectus forward-looking statements. Statements that are not historical facts, including but not limited to statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This Prospectus contains forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Prospectus, the words "aim," "anticipate," "aspire," "believe," "could," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "schedule," "seek," "should," "target," "vision," "will," "would," and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in "Risk Factors" and elsewhere in this Prospectus, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- future developments, trends and conditions in the industries and markets in which we operate or plan to operate;
- general economic, political and business conditions in the markets in which we operate, including but not limited to interest rates, foreign exchange rates;
- changes to the regulatory environment in the industries and markets in which we operate;
- our ability to maintain relationship with, and the actions and developments affecting, our major business partners, suppliers and future customers;
- our ability to maintain the market leading positions and the actions and developments of our competitors;
- our ability to effectively control costs and operating expenses;
- the ability of business partners to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel and recruit qualified staff;

- our business strategies and plans to achieve these strategies, including our business development plans, commercialization strategies and geographic expansion plans; and

- all other risks and uncertainties described in "Risk Factors."

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Prospectus are qualified by reference to the cautionary statements in this section as well as the risks and uncertainties discussed in the section headed "Risk Factors" in this Prospectus.

In this Prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this Prospectus. Any such information may change in light of future developments.

*An investment in the H Shares involves various risks. You should consider carefully all the information set out in this Prospectus and, in particular, the risks described below before making an investment in the H Shares.*

*The occurrence of any of the following events could materially and adversely affect our business, financial position, results of operations or prospects. If any of these events occurs, the trading price of the H Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.*

## RISKS RELATING TO OUR INDUSTRY AND BUSINESS

### We have a limited operating history and our ability to develop, manufacture and deliver battery products is still evolving, making it difficult to evaluate our business prospects, and we may not be successful in expanding our operations or managing our growth.

We commenced business operations in 2019. Our limited operating history makes it difficult to evaluate our business prospects, and to plan for our future. We have relatively limited historical data for making judgments on the demand for our products, our ability to develop, manufacture and deliver products, or our profitability in the future.

Our historical performance is not indicative of our future performance as our EV battery and ESS battery business went through rapid growth and changes. We may not always be accurate in predicting industry trends in the EV battery and ESS markets that may emerge and affect our business. We experienced significant revenue growth and the increase in our production capacity during the Track Record Period. See "Financial Information—Principal Components of Statement of Profit or Loss and Other Comprehensive Income—Revenue." Investors should comprehensively consider our business and prospects in light of the risks and challenges we face in the EV battery and ESS battery markets, including but not limited to our ability to:

- continuously drive technical advancement and balanced development of electrification multi-path technology;
- effectively manage our supply chain, enhance and maintain operational efficiency;
- effectively manage our growth in the face of the ever-changing regulatory environment;
- effectively expand our customer base; and
- adapt to changing market conditions, including technological developments and changes in the competitive landscape.

If we fail to address any of the aforesaid risks and challenges, our business, financial condition and results of operations could be materially and adversely affected.

Our growth may also be affected by factors such as our ability to manage a continuously growing organization as we expand, control expenses and investments in anticipation of expanded operations, implement and enhance administrative infrastructure, system and processes, comply with environmental, workplace safety, and relevant regulations, execute our strategies successfully, and address new markets and potentially unforeseen challenges as they arise.

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

**We recorded a net loss in 2021, 2022 and 2023 and a net profit in 2024. We may not be able to maintain our net profit position in the future, which may affect our business sustainability.**

We have been at a net loss position from operations in 2021, 2022, and 2023. We incurred net losses of RMB402.3 million, RMB1,720.0 million and RMB589.9 million in 2021, 2022, and 2023, respectively. Although we have recorded net profit of RMB91.0 million in 2024, we cannot assure you whether we will continue to be profitable in the future. Our ability to become profitable in the future will not only depend on our efforts to sell our products but also to control our costs. If we are unable to adequately expand our sales while controlling the costs associated with our operations, we may experience losses in the future.

Our ability to achieve profitability depends in part on our ability to manage our future development effectively, such as our ability to successfully expand our business, expand our manufacturing capacities, manage growing scales of operations, form economies of scale, and improve production efficiency. Our ability to achieve profitability is also affected by external factors such as the fluctuation in prices of key raw materials, changes in market size and demand for our products, increasingly intense market competition, as well as other risks discussed herein. We intend to continue to invest substantially in the foreseeable future in expanding our production facilities to achieve economies of scale. See “Future Plans and Use of Proceeds.” We are continually executing a number of growth initiatives, strategies and operating plans designed to enhance our business. We also plan to continue to optimize product design and improve product performance, and to continue to cooperate with suppliers to ensure the sustainability of raw materials. However, such plans may not materialize or develop as timely and to the extend as expected, in which case we may not achieve profitability as planned or at all. In addition, if we fail to achieve economies of scale through our efforts or fail to adopt adequate cost control and price adjustment measures, our plan to achieve profitability may be adversely affected. See “Business—Business Sustainability—Path to Profitability” for details on how we plan to achieve profitability in the future. These plans may be more costly than we expect, which may result in significantly increased expenses and failure to achieve our intended profitability. If we are unable to effectively avoid or mitigate these risks, our ability to expand our business and achieve profitability will be affected, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

**We may not be able to derive the desired benefits from our research and development efforts, and may fail to keep up with rapid technological changes and evolving industry standards, which may negatively affect our competitiveness and profitability, and lead to decrease in the demand for our products.**

Technological innovation is critical to our success, and we made significant investments in product research and development. As we believe that technological innovation is a key trend in the battery industry, we have focused our research and development activities on exploring new materials, structure and new manufacturing techniques to enhance our product quality and features while reducing cost. In 2021, 2022, 2023 and 2024, our research and development expenses were RMB221.0 million, RMB329.3 million, RMB424.1 million, and RMB556.2 million, respectively. In order to maintain and expand our competitive advantages, we plan to continue investing significant financial resources in our research and development infrastructure and activities. In addition to our in-house research and development capabilities, we also engage in joint research and development collaboration with third parties to jointly develop new technologies and products. See "Business—Research and Development."

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

In addition, many private and public companies and research institutions are actively engaged in the development of new battery technologies that may bring competitive advantages over the mainstream battery products in the market. Our existing or potential competitors may develop products which are similar or superior to our products or more competitively priced. If our competitors develop new technologies that we are not able to keep up with, such technologies may provide them with significant performance or price advantages over us and our technology leadership and competitive strengths may be adversely affected. Some of our competitors are also conducting research and development on alternative battery technologies, such as fuel cells and super capacitors, and academic studies are ongoing as to the viability of sulfur and aluminum-based battery technologies. If any viable substitute products emerge and gain market acceptance because they have more enhanced features, more practical applications, more power, more attractive pricing, or better reliability, the market demand for our products may decrease, and accordingly our business, financial condition and results of operations would be materially and adversely affected.

Due to uncertainties in the time frame for developing new products and the duration of market window for these products, there is a substantial risk that we may have to abandon a product or a potential product that is no longer commercially viable, even after we have invested significant resources in the development of such product. If we fail to effectively keep up with rapid technological changes and evolving industry standards by introducing new and enhanced products, our significant expenditures on research and development may not generate corresponding benefits, which may materially and adversely affect our business, prospects, financial condition and results of operations.

**The power battery industry is highly competitive. Failure to compete effectively or launch our new products may materially and adversely affect our market share and profitability.**

The global power battery industry is highly competitive and concentrated, and we expect that the competition will be even more intense in the future. According to Frost & Sullivan, top ten EV battery manufacturers in China accounted for approximately 95.3% of China's total installation capacity in 2024. As measured by installation capacity in 2024, we held a market share of 1.8% amongst EV battery manufacturers in China, according to CABIA. Our existing competitors may seek to increase their market shares through various measures, such as continued research and development efforts, increased production capacity, optimized production process and active marketing campaigns. Our competitors may also seek to increase their market shares through the reduction of price. We expect to face competition from both existing and new competitors as we expand our business into new business lines, geographic regions and product categories. Competitive pressure could also have an adverse impact on the demand for and pricing of our products, which in turn affects our growth and market share. Even if there is sufficient downstream demand for EV and ESS battery products, there is no guarantee that we will always succeed in competing with other market players for orders from downstream customers. If we fail to compete effectively, we may not be able to retain or expand our market share, which would have a material adverse effect on our business, results of operations and financial condition. China's power battery industry is also undergoing overcapacity issues, for details please refer to "—We may face structural overcapacity of production in China's power battery industry."

To achieve effective competition in the power battery industry, we need to continuously develop and launch new battery products. The development and launch of new products involve complex efforts and there may be uncertainties at various stages before a product is launched. Any delay in the financing, design, production and eventually the launch of our new products could materially damage our competitiveness. To the extent that we delay the launch of our new products, our growth prospects could be adversely affected as we may fail to compete with our peers, keep up with competing products, or grow our market share. Due to the uncertainty in the market window for the new products, any delay in launch of new products may result in the obsolescence of such products and our investments in developing such products may become sunk costs, which will materially and adversely affect our business, financial position and results of operations.

**We may face structural overcapacity of production in China's power battery industry.**

As of December 31, 2024, we had a total designed manufacturing capacity of 25.5 GWh for battery cell products, which is expected to increase to 50.5 GWh by 2026. See "Business—Manufacturing—Manufacturing Bases—Planned Production Bases." Other market players in China have also been expanding their production capacity quite aggressively since a few years ago. As a result, China's EV power battery production capacity reached 826 GWh in 2024 and is projected to grow to 991.2 GWh in 2025, whereas the installation capacity of EV power battery in China was 549.9 GWh in 2024 and is expected to reach 692.2 GWh in 2025. According to Frost & Sullivan, top ten EV battery manufacturers accounted for 95.3% of the total EV battery installation capacity in the PRC in 2024. China's EV power battery industry is highly competitive and concentrated and we expect that the trend will last in the future. Looking ahead, China's power battery industry is expected to continue to face overcapacity of production if future demand from downstream customers, such as EV and ESS manufacturers, is unable to keep pace with the rapid capacity expansions, which is affected by many factors out of our control, including the macro-economy which affected the consumption habits of the society. There is no assurance that we will not face structural overcapacity of production and concentration in China's power battery industry. There may be potential structural overcapacity of production and concentration in China's power battery industry. See "Business—Manufacturing." If there is structural overcapacity of production in China's power battery industry in the future, we may face more fierce competition and there is no assurance that we could out-compete other market players in such situation. As a result, our capacity utilization rate may further decline and our manufacturing costs may increase significantly, and thus our business and results of operations will be materially and adversely affected.

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

During the Track Record Period, we achieved significant growth of our business. Our total revenue increased from RMB1,499.3 million in 2021 to RMB3,290.3 million in 2022, and further to RMB4,161.7 million in 2023, and further to RMB5,130.3 million in 2024. We cannot guarantee that we could retain our existing customers or attract new customers as we did during the Track Record Period, or at all. While we continue to enrich our offerings and enhance the performance of our battery products, our abilities to retain existing customers and attract new customers depend on a number of factors, including our ability to offer more battery products that address the needs of our customers at competitive prices, the quality of our products and customer support, and the compatibility of our products. Furthermore, we may find defects, errors, disruptions or other performance problems in our products, which could hurt our reputation and may damage our customers' businesses. If we fail to retain our existing customers or attract new customers in the future due to that our products could not meet the requirements of the market, or that our selling prices are not competitive, or due to other factors disclosed in this herein, our business, financial conditions and results of operations will be adversely affected.

In addition, we may fail to predict the future level of demand for our products as the demand of our customers may be affected by a combination of factors beyond our control, such as market or economic conditions, government policies and regulatory environment, making it difficult to predict our future financial performance or increase the spending of our customers. If we fail to respond to constant changes in market and political conditions, or if the major industries we operate in do not develop as we expect, we may lose significant business opportunities, and our business and results of operations may be materially and adversely affected.

**Our business is exposed to the supply-demand dynamics in various new energy related industries, and thus is affected by market demand for the end products where our battery products are used.**

We primarily provide battery products that are used for EVs. Accordingly, our results of operations have been and are expected to continue to be affected by downstream demand for EVs. Strong growths in global and China's EV market and installation capacity of EV batteries were major drivers for our growth during the Track Record Period. The downstream demands for EVs are affected by many factors, such as:

- the specifications of EVs, such as purchase price, charging time, driving range, reliability and battery life;
- the government policies which promote the development of EVs; and
- the macro-economies which affected the consumers' habits of purchasing.

There is no assurance that the downstream demand for EVs will remain at the same level as we experienced during the Track Record Period which drove our revenue to increase rapidly, or continue to increase in the future. There are several estimates as to the future market demand for EV batteries. According to Frost & Sullivan and based on data from China Association of Automobile Manufacturers, the sales volume of EVs in China was 13.8 million units in 2024 and is expected to reach 32.1 million units in 2029, representing a CAGR of 18.4%. The installation capacity of EV battery in China was 549.9 GWh in 2024, and is expected to reach 1,961.4 GWh in 2029, representing a CAGR of 29.0%. However, we cannot guarantee that the actual market demand for EV batteries (as reflected by the forecasted growth in EV sales volume and EV battery installation capacity) will not materially adversely deviate from the above estimates, whether due to changes in consumer preference, technology development, regulatory requirements on EV and other downstream markets of our products, among other potential factors. If future market demand for EV battery products is materially adversely different from forecast, our business growth may also be limited, and our results of operations and financial condition may be materially adversely impacted.

In addition, demand for the products of our other customers, such as eVTOL companies and sea transportation companies, may also slow down. If our customers experience declines in demand for their products, then the demand for our products will decrease correspondingly, which may result in underutilization of our production capacity, and materially and adversely affect our business, financial condition and results of operations.

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

While our production capacity achieved to date is already at commercial scale, it has not achieved what we expect will be necessary to fully meet the demand we see in the market for our products. We expect to expand our production capacity to meet customers' expected demands for our products. We plan to expand our designed production capacity to 50.5 GWh by 2026. The amount of expected increase in depreciation and operation expenses for each year as a result of the expansion plans are RMB468.5 million and RMB2,356.0 million, respectively. See "Future Plans and Use of Proceeds" for more details. Such expansion will impose significant responsibilities on our senior management and require significant commitment of our resources, including financial resources and the time needed to identify, recruit, maintain, and integrate additional employees. Our proposed expansion will also expose us to greater overhead and support costs and other risks associated with the manufacture and commercialization of new products. Difficulties in effectively managing the budgeting, financing, forecasting and other process control issues presented by such expansion could negatively affect our business, prospects, results of operations and financial condition. Such expansion is also required to obtain various approvals, permits, licenses and certificates and complete relevant inspections by and filings with competent government authorities. There is no assurance that we will be able to execute our expansion plan as contemplated or at all. Any delay or failure to obtain relevant approvals, permits, licenses and certificates or complete the inspections and filings for our production expansion projects may materially delay our production expansion or even result in the cancellation of such plans, which may adversely affect our business, financial conditions and results of operations. See also "—We are required to obtain and maintain various approvals, licenses, certificates and permits or to complete relevant assessment, acceptance process and filing procedures to operate our business and the loss or failure to obtain or renew any or all of these approvals, licenses, certificates and permits or failure to conduct such assessment, acceptance process and filing procedures could materially and adversely affect our results of operations and business prospects."

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

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

- delays in government approval process or denial of required approvals for production by relevant government authorities;

- our ability to configure the manufacturing lines for specific products in a timely manner; and

- the performance of the manufacturing equipment we procured and the production expertise we retained.

Moreover, our product development, manufacturing and testing protocols are complex and require significant technological and production process expertise. There are risks associated with scaling up manufacturing to larger commercial volumes, including but not limited to, technical or other problems with process scale-up, process reproducibility, stability issues, quality consistency, timely availability of raw materials, cost overruns, and adequate definitions or qualifications for safety, reliability, and quality. Any change in our processes could cause one or more production errors, requiring a temporary suspension or delay in our manufacturing line until the errors can be researched, identified, and properly addressed and rectified, and thus limit our production output. There is no assurance that our production facilities will be successful in establishing a larger-scale commercial manufacturing process that achieves our objectives for production capacity. In addition, our failure to maintain appropriate quality assurance processes could result in increased product failures, loss of customers, increased warranty reserve, or increased production and logistics costs, and delays.

We may also incur significant costs and delays in switching our manufacturing lines to accommodate for different types of batteries in light of potential changes in customer demands. We work closely with equipment vendors to ensure our manufacturing lines comprise highly customized equipment which enable us to manufacture different types of batteries in terms of cathode materials without experiencing significant production interruption and cost overruns. However, we cannot guarantee that such flexible production system can always meet customers' changing needs. New development in the battery industry and changes in customer demand and battery technology pathways may render our manufacturing lines not flexible enough, requiring us to incur significant costs, leading to significant interruptions to our production process, and negatively impacting our production output and capacity.

If we are unable to increase our production output in a timely manner or at all in the end because of any of the risks described above, we may be unable to fulfill customer orders or achieve the growth we expect. In addition, if we are unable to fulfill customer orders, our reputation could be affected, and our customers could source products from other companies. The combination of the foregoing could materially and adversely affect our business, financial condition and results of operations.

**We purchase certain key raw materials from third parties, and we may not be able to secure our supply of such key raw materials in a stable and timely manner.**

We currently purchase certain key raw materials needed for the manufacturing of our battery products from third parties, such as cathode and anode materials, electrolyte, and separation films. We also cooperate with third-party equipment vendors to co-develop and purchase highly customized production equipment. We cannot guarantee that our strategic arrangements with major suppliers will always lead to stable supply of sufficient quantity of our key raw materials. Our suppliers may also be unable to satisfy our quality standards. Moreover, the prices of these raw materials could fluctuate significantly due to circumstances beyond our control. See "—We are exposed to risks relating to price fluctuations of key raw materials." If our current suppliers are unable to satisfy our long-term requirements on a timely basis, we may be required to seek alternative sources for necessary raw materials, produce the raw materials in-house or redesign our proposed products to manufacture available substitutes. If we fail to do so, or incur excessive costs in doing so, our manufacturing process will be significantly delayed, and we may be unable to timely deliver our products, which may result in negative perception of our business reputation, leading to decline in demand for our products and damage our overall reputation. Our business, results of operations and financial condition may therefore be materially adversely affected.

**We are exposed to risks relating to price fluctuations of key raw materials.**

Prices of raw materials, in particular lithium carbonate prices, have a significant impact on our cost of sales. In 2021, 2022, 2023 and 2024, costs of raw materials accounted for 77.7%, 71.7%, 73.8%, and 74.6% of our cost of sales for the respective years, respectively. The current or expected supply of our key raw materials may fluctuate depending on a number of factors beyond our control, including but not limited to the availability of resources, market demand, potential speculation, market disruptions, natural disasters and other factors. In addition, changes in battery related technology pathways may also lead to changing demands in different types of raw materials, which may significantly affect their prices. We may not be able to obtain stable, high-quality raw materials at reasonable prices and satisfactory quality at all times.

Some of our raw material purchase agreements with suppliers either set forth a price linkage mechanism which automatically adjust the raw material prices periodically. For other types of raw materials, we actively reach out to suppliers to renegotiate purchase prices to reflect costs incurred by suppliers, market prevailing prices as well as our own cost management needs. The prices of major raw materials experienced an overall upward trend from 2019 to 2022, followed by a significant decline in 2023. Particularly, the prices of lithium carbonate ($Li_2CO_3$) and lithium hydroxide (LiOH), the key lithium sources in lithium power batteries, decreased from their 2022 peaks of RMB496.1 thousand per ton and RMB468.9 thousand per ton, respectively, to RMB90.5 thousand per ton and RMB81.8 thousand per ton, respectively, in 2024, according to Frost & Sullivan. We cannot assure you that we will not experience significant fluctuations in the prices of raw materials in the future. Under such circumstances, we may need to further adjust the prices of our products accordingly to pass down the increased costs onto our customers, or secure alternative sources of supply. However, we cannot assure you that we will be able to pass all or a portion of the increased costs to our customers due to factors such as competition, or we will be able to find alternative sources in a timely and cost-effective manner, or at all. Additionally, we may not have strong bargaining power with customers and suppliers, and therefore may not be able to effectively mitigate the impact of raw material price fluctuations despite the measures put in place. If we fail to respond appropriately to the increases in the prices of raw materials needed for our products, we may continue to incur impairment losses on inventories in the future, and our business, financial condition and results of operations may be materially and adversely affected. Under our procurement agreements without price linkage mechanisms, we are exposed to certain risks associated with the market price fluctuations for raw materials. If the market price drops and we fail to timely respond and renegotiate our price with our suppliers in a timely and cost-effective manner, our financial performance will be materially and adversely impacted. Under our procurement agreements with price linkage mechanisms, there are specific risks associated with time delays and mismatched adjustment cycles. In particular, there may be a lapse of time from the drop in market prices to our actual adjustment of prices with suppliers. This delay can result in continued payments at higher rates, which would negatively impact our cost of goods sold and reduce our profit margins. Additionally, as we adjust prices on a monthly basis with certain suppliers, but adjust our selling prices only every one to six months with certain customers, such mismatch of price adjustment cycles can lead to scenarios where we incur higher costs without the ability to pass these on to customers promptly, adversely affecting our cash flow and overall financial performance.

**We depend significantly on our pricing power and may be materially and adversely affected if we are forced to lower the selling prices of our products.**

We may be forced to adjust the prices of our products in accordance with market conditions. For example, the average selling prices of our power battery products decreased from RMB0.86 per Wh in 2022 to RMB0.57 per Wh in 2023, and decreased to RMB0.41 per Wh in 2024; the average selling prices of our ESS products decreased from RMB0.89 per Wh in 2022 to RMB0.42 per Wh in 2023, and decreased to RMB0.37 per Wh in 2024, primarily due to the declined cost of our raw materials, and partially in response to market competition. We cannot assure that we will not experience any material and adverse effect on our financial results if we lower the prices of our products in future if the related costs do not also decline or if we cannot make up for the decreased pricing by increasing sales volume. Any potential decrease in the selling prices of our products in the future, including in response to changes in raw material prices, increased market competition or general economic conditions, may have a material adverse impact on our business, financial condition, results of operations and prospects.

**We rely on our suppliers; any decrease in supplies, quantity of supplies and breakdown in the business relationship between us and our suppliers could have a material and adverse effect on our business and financial conditions.**

In 2021, 2022, 2023 and 2024, purchases from our largest supplier in each year during the Track Record Period amounted to RMB665.0 million, RMB1,326.6 million, RMB433.9 million and RMB674.8 million, representing 40.8%, 38.2%, 14.3% and 19.1% of our total amount of purchase during the respective years, while purchases from our five largest suppliers in each year during the Track Record Period amounted to RMB1,079.3 million, RMB2,230.0 million, RMB1,368.1 million and RMB1,736.4 million, representing 66.1%, 64.2%, 45.0% and 49.2% of our total amount of purchase during the respective years. We believe that we have a good cooperation relationship with our key suppliers. However, we cannot assure you that there will not be any dispute with our major suppliers, or that we will be able to maintain business relationships with our existing suppliers. There is no assurance that we are able to maintain business relationship with our existing suppliers, or we will be able to secure supply of raw materials at competitive prices. If we cannot locate alternative suppliers for replacement in a timely manner and/or on comparable commercial terms, our business operation may be hindered, which could materially and adversely affect our profitability.

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

We have engaged in strategic acquisitions and other investments, such as joint ventures, in order to expand our production capacity, diversify our product portfolio, gain access to new markets and stable sources of raw materials or acquire new technologies. The success of joint ventures depends on a number of factors, some of which are beyond our control. In accordance with PRC laws and regulations, the investment agreement and the articles of association of the joint ventures, certain matters relating to the joint ventures require the consent of all parties to the joint ventures, while we do not own the entire equity interests in such joint ventures. Therefore, such investment agreements involve a number of risks, including (i) we may not be able to pass certain important board resolutions requiring unanimous consent of all of the directors of our joint ventures if there is a disagreement between us and our partners; (ii) joint ventures may experience a change of control; (iii) our partners may have economic or business interests or goals or philosophies that are inconsistent with ours; (iv) our partners may be unable or unwilling to fulfill their obligations under the investment agreements.

In addition, our investments in joint ventures are subject to liquidity risk, since they are not as liquid as other investment products. Due to the illiquidity nature of our investment in joint ventures, we may significantly limit our ability to disposal of our investment in joint ventures in respond to adverse changes in economic, financial and investment conditions. We cannot predict whether we will be able to dispose of any of our interests in the joint ventures on favorable terms. Also, we cannot predict the length of time we need to find a purchaser and to complete the relevant transaction. Furthermore, there is no cash inflow to our Group until dividends are received by us, even if our joint ventures reported profits under the equity accounting. If there are no dividends received from our joint ventures or share of their results, we will also be subjected to liquidity risk and our financial condition or results of operations could be adversely affected.

If any of the above risks materialized in the future, our relationship with those joint venture partners and the related joint venture business may be adversely affected, which in turn would affect our business, financial condition and results of operations.

**Share of profits or losses of joint ventures could potentially have impact on our financial performance.**

As of December 31, 2021, 2022, 2023 and 2024, the carrying amount of our investments in joint ventures amounted to nil, RMB64.5 million, RMB3,350.9 million and RMB3,467.2 million, respectively. The performance of such joint venture has affected, and will continue to affect, our results of operations and financial position. We recorded share of profits of joint ventures of RMB0.9 million and RMB302.5 million in 2022 and 2024, and incurred share of losses of joint ventures of RMB25.1 million in 2023. In 2023, we completed the strategic reorganization of STAES by acquiring 50% equity interests thereof. STAES generated a profit of RMB29.7 million and RMB587.3 million in the one month ended December 31, 2023 and the year ended December 31, 2024, respectively.

If the joint ventures do not perform as expected or do not generate sufficient profit in any financial period, our return on interests in the joint ventures, our financial condition or results of operations could be materially and adversely affected. In addition, our investments in joint ventures may subject us to liquidity risks as we may be required to fulfill capital injections in the future subject to the capital needs and financial performance of these joint ventures. Even if these joint ventures record profits, we may not immediately receive any dividend distribution, which is generally subject to the applicable laws and regulations.

**Our business, financial condition and results of operations may be subject to adverse effect from the risk of customer concentration.**

In each of 2021, 2022, 2023 and 2024, our revenue from the top five customers in each year/period during the Track Record Period was RMB1,337.4 million, RMB2,972.7 million, RMB3,238.2 million and RMB4,530.0 million, respectively, accounting for 89.1%, 90.4%, 77.8% and 88.2%, respectively, of our total revenue during the respective years. Our revenue from the largest customer in each year during the Track Record Period was RMB828.3 million, RMB962.5 million, RMB1,179.1 million and RMB1,462.3 million, respectively, accounting for 55.2%, 29.3%, 28.3% and 28.5%, respectively, of our total revenue during the respective years. See "Business—Sales, Marketing and Customers— Customers."

According to Frost & Sullivan, due to the nature of the power battery industry, significant interaction with customers in order to successfully integrate our products into our customers' vehicles is required, and we therefore have a high concentration of customers and are subject to relevant risks. We cannot assure you that our major customers will not diversify their suppliers, change their business scope or business model nor suspend their operation, or they will not encounter any operating or financial difficulties. Any material adverse changes in the business, operation, financial conditions and demands of our major customers may in turn have a material adverse effect on us. For example, in November 2022, we ceased delivery of NCM battery products for application in BEVs to one of our OEM customer ("**WM Customer**") due to material adverse change in its business operations and WM Customer's prolonged delay and inability to settle their receivables (the "**WM Customer Incident**"). The WM Customer Incident led to (i) a significant decrease in sales volume of NCM batteries; (ii) a significant decrease in revenue from the sales of NCM batteries; (iii) impairment losses on our inventories in 2022; and (iv) impairment in trade receivables in 2022. See "Financial Information—Significant factors affecting our financial condition and results of operations—Specific factors affecting our results of operations" for more details. There is no assurance that we are able to maintain good relationship with our major customers, or our major customers will continue to have high demands for our products in the future. In addition, obtaining a design-win does not guarantee sales, as our customers' anticipated production volumes stated at the time of design-wins may not be indicative of their actual production volume and demand for our products, which may be subject to changes due to their own production plan or market demand. If we are unable to identify and acquire suitable new customers within a reasonable period of time, our business, financial condition and results of operations may be materially and adversely affected.

**We face competition from manufacturers of other new energy batteries.**

The global EV battery market is highly competitive, apart from our existing competitors, we expect competition from manufacturers of other new energy batteries such as hydrogen batteries and sodium-ion batteries. According to Frost & Sullivan, hydrogen batteries and sodium-ion batteries are both new energy battery types with great development potential. Currently, hydrogen batteries and sodium-ion batteries are still in the early stages of commercialization. These potential new competitors may seek to increase their market shares through various measures, such as continued R&D efforts, increased production capacity, optimized production process and active marketing campaigns. These new competitors may also seek to increase their market shares through the reduction of price. We expect to face competition from both existing and new competitors as we expand our business into new business lines, geographic regions and product categories. Competitive pressure could also have an adverse impact on the demand for and pricing of our products, which in turn affects our growth and market share. Even if there is sufficient downstream demand for EV and ESS battery products, there is no guarantee that we will always succeed in competing with other market players for orders from downstream customers. If we fail to compete effectively, we may not be able to retain or expand our market share, which could have a material adverse effect on our business, results of operations and financial condition.

**Our business depends on our ability to protect our intellectual property rights, and we may be exposed to intellectual property infringement and other claims by third parties, which, if successful, could cause us to pay significant damages and incur other costs.**

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

- cease to sell products that are involved in the challenged intellectual property rights owned by others;
- pay damages;
- redesign our products;
- enter into license agreements with third parties and pay them a license fee; or
- establish and maintain alternative branding for our products.

For example, Jiangsu TAFEL from which we acquired certain of our business before the reorganization in February 2022 as described under "History, Reorganization and Corporate Structure—Corporate Development and Major Shareholding Changes—3. Business Reorganization of Our Group," was involved in a series of legal proceedings, including civil and criminal proceedings concerning intellectual property infringement before the Track Record Period as alleged by an industry player. As a result of such proceedings, Jiangsu TAFEL entered into a license agreement and, together with one of its subsidiaries, had paid monetary damages in full in December 2020, and the relevant patents in the proceedings were no longer used upon expiration of the license agreement since 2024. Certain of their former employees were subject to criminal penalties. While such legal proceedings had been concluded and did not, do not and will not have any material adverse impact on our business, operations and financial performance, we cannot guarantee you that there will not be future proceedings of similar nature.

We rely primarily on a combination of our patents, trade secrets, trademarks, the confidentiality agreements signed by the employees, and confidentiality agreements signed with the third parties to protect our intellectual property rights. Although we have applied and obtained a number of trademarks and patents for the operations of our business, there is no assurance that we are able to successfully apply and be granted new intellectual property rights in a timely and cost-effective manner in the future, for such applications are expensive and time consuming. See "Business—Intellectual Properties." Despite our efforts to protect our proprietary rights, unauthorized parties may be able to obtain and use information that we regard as proprietary. Under such circumstances, to protect our intellectual property rights and maintain our competitive advantages, we may initiate legal proceedings against parties who we believe are infringing our intellectual property rights. Legal proceedings are often costly and may divert management attention and resources away from our business. In certain situations, we may have to initiate such legal proceedings in foreign jurisdictions, in which case we are subject to additional risks as to the result of the proceedings, the amount of damages that we can recover, and the enforcement process.

The validity and scope of any potential claims/requests can be complicated and involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings or requests can be both costly and time consuming and may significantly divert the efforts and resources of our management. A determination in any such litigation or proceedings or requests to which we are a party may invalidate our patents, subject us to pay damages to third parties, require us to seek licenses from third parties, pay ongoing royalties, redesign our products, subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. In the event of an adverse result in any such litigation, or even in the absence of litigation, we may need to obtain licenses from third parties to develop, manufacture or sell our products. Any such license might not be available on reasonable terms or at all, or is non-exclusive or require us to pay substantial licensing payments. Any of the afore-mentioned will materially and adversely affect our business, financial condition and results of operations.

**The intense competition, supply restrictions, trade controls, tariff, or sanctions, on semiconductor chips or other major components of EVs may disrupt the operations of our end customers and in turn adversely affect our business, results of operations, and financial condition.**

The installation and application of semiconductor chips on EVs are common in the EVs industry, as such component is often applied to facilitate vehicle electrification and safety and driver assistance. Since late 2020, there has been a global shortage in the supply of semiconductor chips for automotive production resulting from increased demand for consumer electronics and disruption in semiconductor chip production due to labor shortage and severe weather. If suppliers of semiconductor chips and other major components are unable to meet the needs of our downstream customers on acceptable terms, or at all, their production and delivery processes could be materially disrupted. Such disruptions could result in decreased sales and increased operational costs of our customers, which may in turn affect their order volume and demand for our products. This may also prolong customer's payment period, and increase the risk of credit loss with respect to our trade and bills receivables. Moreover, there are various sanctions and export controls related to the trade of advanced semiconductor being announced or implemented, which have also affected the supply of semiconductor chips globally. There is no assurance that our downstream customers, including EV manufacturers or EV battery pack manufacturers designated by EV manufacturers, will be able to obtain sufficient quantities of semiconductor chips and other major components for their operations at a reasonable cost, or at all. Also, while to the best of our knowledge, our downstream customers did not experience any supply restrictions or trade controls, or are subject to sanctions related to semiconductor chips or other major components which materially affected their business during the Track Record Period and up to the Latest Practicable Date, there is no assurance that they will not be materially affected by supply restrictions, trade controls or sanctions on semiconductor chips or other major components in the future, especially OEMs in overseas markets who may be directly impacted by semiconductor chip shortages or due to sanctions or trade restrictions, among other reasons. If suppliers of semiconductor chips and other major components are unable to meet the needs of our downstream customers on acceptable terms, or at all, our downstream customer's production and delivery could be disrupted, which in turn, could have an adverse effect on their demand for our products, which could in turn materially adversely affect our business, results of operations and financial condition.

Our customers' EV sales in certain jurisdictions may also become subject to trade restrictions and tariffs, which could impact their sales volume and in turn their procurement from us. For example, the European Union has raised tariffs on Chinese electric vehicles on top the 10% duty that was already in place for Chinese EV manufacturers. Such tariffs and trade restrictions may impact OEMs' sales and manufacturing volume, which may in turn impact our sales of battery products. During the Track Record Period, we directly sold our products and provided services to customers in the European Union. To our best knowledge, the EVs manufactured by some of our OEM customers which install our power batteries had been sold to the European Union during the Track Record Period. For sales to the overseas customers during the Track Record Period, tariffs shall be borne by the relevant customers pursuant to the terms of the respective agreements. However, despite passing tariff obligations to our customers, the imposition of additional tariffs and trade restrictions may still adversely impact our competitiveness in the European market. Chinese manufacturers, including us, may face greater pricing pressure compared to peers based in other regions, particularly those not subject to such tariffs. This could lead to reduced demand for our products and services or require us to adjust our pricing strategy, which may adversely affect our business, financial condition, and results of operations. There is no guarantee that additional tariffs or trade restrictions will not be imposed in the future, which could further impact our ability to compete in overseas markets.

In recent years, as trade frictions increase between the United States and China, concerns exist among PRC enterprises transacting with United States companies that a possible trade war between the two countries could have possible impact on their business. Elevated tensions between the two countries have been driven by a range of factors, including global pandemic, legislative actions, economic sanctions, and executive orders. These developments have led to restrictions on various transactions and investments involving Chinese enterprises. Rising tensions could reduce levels of trades, investments, technological exchanges and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. A trade friction between global large trade partners could also threaten the ongoing global economic development and the increasing cross-border transactions trend. A deterioration in China-U.S. relationship could negatively impact the global economic development and the cross-border transactions between China and the United States. On February 1, 2025, Trump administration announced a plan to raise a 10% additional tariff on imports from China and this higher tariff rate became effective on February 4, 2025.

During the Track Record Period, we generated a small portion of our revenue from the United States. Our revenue from the direct sales to the United States was nil, RMB0.6 million, RMB4.7 million, and RMB13.9 thousand in 2021, 2022, 2023, and 2024, respectively. All our direct sales are subject to tariff as mentioned above, as amended from time to time. During the Track Record Period, all tariffs were borne by our customers pursuant to the terms of our agreements. However, in light of the raised tariff by Trump administration, our customers in the United States have to pay higher for our products and services, and we may become less competitive compared to peers outside China, especially compared to peers in the U.S., who are not subject to the special tariff imposed on exports from China. There is no guarantee that there will not be additional tariffs imposed or enhanced measures against imports from China, which could adversely affect our business and results of operations.

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

In the course of operations and production, we implement and require our employees to comply with safety measures and procedures as stipulated in our internal policies, including occupational safety and fire safety related procedures and protocols. During the Track Record Period, we did not experience any material safety-related or occupational accidents. Nevertheless, there is no assurance that our safety measures and procedures are strictly followed by our employees. As our manufacturing process is complicated and inevitably involves operation of tools, equipment and machinery and use of chemical materials, accidents resulting in employee injuries or even deaths may occur. In addition, our existing manufacturing protocols may not be sufficient to prevent all types of malfunctioning or above accidents, some of which may have never arisen and may not have been foreseen when the current protocols are created. Such accidents may result in disruption of our operation and subject us to liabilities, and we may not have adequate or sufficient insurance to cover such liabilities, which could then adversely affect our business, results of operations and financial condition. See "—We may not have adequate insurance to cover losses and liabilities arising from various operational risks and hazards. Specifically, we may be involved in product liability claims, and our product liability insurance may not be sufficient to cover potential liability from product liability claims."

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

Good working relationship with our employees and reasonable labor cost is crucial to our operations and success. We have not experienced any material work stoppages, strikes or other major labor problems during the Track Record Period. However, there is no assurance that any of such events will not arise in the future. If our employees were to engage in a strike or other work stoppage whether voluntarily or for reasons beyond their control, we could experience significant disruption of our operations and/or higher on-going labor costs, which may have an adverse effect on our businesses, financial condition and results of operations. Any conflicts between us and our employees' labor union or between our suppliers and customers and their respective unions, if any, could have an adverse effect on our financial condition and results of operations.

In 2021, 2022, 2023 and 2024, our labor costs amounted to RMB76.5 million, RMB105.5 million, RMB247.9 million, and RMB275.5 million, representing 5.2%, 2.9%, 6.3%, and 6.3% of our total cost of sales, respectively. In addition, our labor costs may potentially continue to increase in the future. We may not be able to pass on these increased costs to customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease, which could have an adverse effect on our financial condition and results of operations.

**We may be subject to financial and reputational risks due to failure to maintain effective quality control, which may lead to product recalls, product liability claims and sales return and may have a material adverse effect on our business, reputation, financial condition and results of operations.**

New energy batteries used in EVs and ESSs are inherently complex and may be subject to failure, accidents or other malfunctions. Although we have not been involved in any material product quality accident, product recalls or other similar events during the Track Record Period and up to the Latest Practicable Date, there is no assurance that we will not be involved in those events in the future. Therefore, our product quality is critical to our success. The effectiveness of our quality management system depends on a number of factors, including the quality of our products design, the equipment and raw materials used, the quality control measures during the manufacturing process, the quality of our staff and related training programs and our ability to ensure that our employees adhere to our quality management policies and guidelines. We are required to comply with specific guidelines based on product safety and restrictions and hazardous materials laws and regulations that are applicable in the jurisdictions into which our customers sell their products. Our safety standards for the inspection of our products are also based on relevant national and industry standards. We cannot assure you that our quality management system will continue to be effective or in compliance with relevant laws and regulations and standards. See "Business—Manufacturing—Quality Control." Any significant failure in or deterioration of the efficacy of our quality management system could result in us losing accreditations and requisite certifications or qualifications, and lead to product recalls, product quality claims and sales return, which could in turn have a material adverse effect on our business, financial condition and results of operations.

The risk of product recalls and product liability claims, and associated adverse publicity, is inherent in the development, manufacturing and sales of our products. Our products and the products of third parties in which our products are a component are becoming increasingly sophisticated and complicated as technologies continue to advance.

Product quality and liability issues may affect not only our own products but also the third-party products in which our battery products are a component. Our efforts to maintain product quality may not be successful, which may result in us incurring expenses in connection with, for example, product recalls and product liability claims, and adversely impact our brand image and reputation as a producer of high-quality products. Any product recalls or product liability claims seeking significant monetary damages could have a material adverse effect on our business and financial condition. Any product recall or product liability claim could generate substantial negative publicity about our products and business, interfere with our manufacturing plans and product delivery obligations as we seek to replace, or repair affected products, and inhibit or prevent commercialization of other future product candidates.

In addition, we accept sales return if there exist product defects for which we are responsible and the relevant products in question are still within the warranty duration prescribed in sales contracts or production specification which would partially result in the decrease in revenue from sales. There is no assurance that we will not encounter material sales return or cancellation of orders due to product defects. If that happens, our business, results of operations and financial position will be adversely affected.

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

In order to operate our business effectively and meet our consumers' demands and expectations, we must maintain a certain level of inventory to meet the needs of production and ensure timely delivery of our products. As of December 31, 2021, 2022, 2023 and 2024, we had inventories of RMB709.5 million, RMB1,012.9 million, RMB613.8 million and RMB678.7 million, respectively. We determine our level of inventory based on our experience, number of orders from customers, assessment of customer demand and fluctuation in prices of raw materials. However, such assessment is inherently uncertain, and the demand for our products could change significantly between the order date and the projected delivery date. We cannot assure you that we are able to always maintain optimal inventory levels in the future. If we fail to accurately assess the demand, we may experience inventory obsolescence and inventory shortage risk. Inventory levels in excess of demand, or substantial decrease in the expected market price of our products, may result in inventory write-downs or write-offs and we may sell the excess inventory at discounted prices, which would have an adverse effect on our profitability. Our inventory turnover days was 130.1 days, 87.8 days, 75.1 days, and 53.8 days in 2021, 2022, 2023 and 2024, respectively. Furthermore, if we underestimate the demand for our products, we may not be able to produce a sufficient number of products to meet such unanticipated demand, which could result in delays in the delivery of our products and negatively affect our reputation.

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

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

While we generated a substantial majority of our total revenue during the Track Record Period from sales to customers located in the PRC, we also made sales to overseas customers in countries or regions, as well as customers who may incorporate our products and sell their end-products overseas. Our business and sales overseas are affected by the current international trade tensions and global economic conditions, such as economic sanctions, export or import controls against certain countries or regions or against targeted industry sectors, groups of companies or persons, and/or organizations. During the Track Record Period and up to the Latest Practicable Date, to our best knowledge, we did not make any direct sales or indirect sales that would violate laws and regulations relating to economic sanctions. Furthermore, the uncertainty in global economic conditions could result in substantial volatility in global credit markets. These conditions affect our business by reducing prices that our customers may be able or willing to pay for our products or by reducing the demand for our products, which could in turn negatively impact our sales and result in a material adverse effect on our business, cash flow, results of operations and financial condition.

While we expect the PRC will continue to be our primary market, we may expand the sales of our products overseas, which will expose us to a number of risks, including, but not limited to:

- fluctuations in foreign currency exchange rates;
- increased costs associated with maintaining the ability to understand the local markets and develop and maintain effective marketing and distributing presence in various countries;
- failure to obtain or maintain permits for our products or services in these markets;
- inability to obtain, maintain or enforce intellectual property rights;
- unanticipated changes in prevailing economic conditions and regulatory requirements; and
- trade barriers such as export requirements, tariffs, taxes, restrictions imposed on Chinese EVs, and other restrictions and expenses.

**We face risks of sharing relevant R&D results with our collaboration partners and investment partners at the level of jointly established entities.**

During the Track Record Period, we collaborated with third parties for certain R&D projects. See "Business—Research and Development" for details of relevant cooperation agreements. We may enter into similar arrangements to cooperate on R&D projects or to jointly establish R&D entities such as joint laboratories with other third parties in the future. Our agreements in relation to these collaborations may require us to share relevant research and development results with these partners at the level of jointly established entities. There is no assurance that our relevant counterparties would not advertently or inadvertently misuse the research and development results that we collaboratively form, or misappropriate the research and development results owned solely by us and that are incidentally shared during our collaboration with them. Our business, financial condition and results of operations may be adversely impacted if any of the aforementioned incidents happen.

**We may face challenge from new power systems that could be applied to the end products where our battery products are used.**

EV batteries are a core component of EVs, and are one of our major sources of revenue and focuses on future business development. Benefiting from the growth of global EV industry, the global EV battery market experienced steady growth in installation capacity from 141.5 GWh in 2020 to 900.2 GWh in 2024, representing a CAGR of 58.8%, and is expected to further grow to 3,564.5 GWh in 2029, representing a CAGR of 31.7%, according to Frost & Sullivan. However, there is no assurance that there would not be a development of power system for EVs that could replace lithium batteries and thus make obsolete all of our EV battery products. In addition, new types of vehicles may emerge and ultimately replace EVs. In the event that new power system is to replace lithium batteries, or new types of vehicles emerge to replace EVs, our business, financial condition and results of operations would be adversely affected.

**The proper installation of our battery modules and packs into EVs rely on software and hardware that are highly technical. If these systems contain bugs or vulnerabilities, or if we are unsuccessful in addressing or mitigating technical limitations, our business could be adversely affected.**

In addition to battery cells, we also produce battery modules and packs. These products rely on software and hardware battery management systems that are highly technical and complex and will require modification and upgrades over their service life. Furthermore, several of our products depend on the ability of such software and hardware to store, retrieve, process, and manage large amounts of data. Such software and hardware may contain bugs, design defects or vulnerabilities, which may compromise our ability to meet the designed objectives. Some bugs or vulnerabilities are highly concealed, making it difficult to cover them completely in testing, and issues may only be exposed after product release. Although we attempt to remedy any issues we discover in our products as effectively and promptly as possible, such efforts may not be timely, may hamper production, or may not be to the satisfaction of our customers. If we are unable to prevent or effectively remedy bugs, defects or vulnerabilities in software and hardware, we may suffer damage in relation to our brand and reputation, loss of customers, loss of revenue or liability for damages, any of which could adversely affect our business and results of operations.

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

We primarily operate our business in China. In accordance with the laws and regulations of the PRC, we are required to obtain and maintain various approvals, licenses, certificates and permits and to complete assessment, acceptance process and filing procedures to operate our business in the PRC, such as various approvals, permits, licenses, certificates, assessment, acceptance process and filing procedures throughout multiple stages of our new construction and expansion projects, and in respect of our procurement of certain chemicals for the production and technology development of batteries. These approvals, licenses and permits are granted or renewed upon satisfactory compliance with, among other things, certain conditions in the applicable laws and regulations. They are also subject to examinations or verifications by relevant authorities and some of them are valid only for a fixed period subject to renewal and accreditation. In addition, certain filing procedures are valid only for one-time use.

We may experience difficulties, delays or failures in obtaining or maintaining the necessary approvals, licenses, certificates and permits, or completing assessment and acceptance process and filing procedures. In addition, there can be no assurance that we will be able to obtain or renew all of the approvals, licenses and permits or complete assessment, acceptance process and filing procedures required for existing business operations promptly or at all. According to relevant laws and regulations, for projects that commence construction or production before obtaining such approvals, licenses, certificates and permits or completing assessment or acceptance process or filing procedures, we may be imposed of administrative penalties such as fines, rectification within a specific period and suspension or close down of the construction or projects. If any of these occurs, our ongoing business, financial condition and our expansion plan may be adversely affected.

During the Track Record Period, we did not obtain certain permits or approvals or complete the acceptance inspection process or filing procedures for certain of our projects before commencing construction or production, such as the energy-saving review approval, the energy-saving acceptance inspection process, the construction project acceptance process and filing, sewage discharging permit and/or the fire prevention acceptance process and filing for certain of our projects. Pursuant to relevant PRC laws and regulations, failure to obtain such permits or approvals or complete such acceptance inspection and filing process or reporting process may subject us to fines, penalties or other regulatory or administrative actions including orders to rectify, close or suspend business operations of relevant projects. See "Compliance and Legal Proceedings—Non-compliance Incidents." We had obtained written confirmation or credit reports from competent authorities that we had not been subject to any administrative penalties during the Track Record Period with regards to energy-saving review, construction project and/or fire prevention.

In addition, as of the Latest Practicable Date, we did not complete the filing for the lease of two of our leased facilities, and we did not complete the required procedures for registering the change in the lease agreement for the expansion part. We may be required to vacate such facility and seek alternative facilities for lease if eventually the lessor cannot procure such ownership certificate, which may disrupt our business operations. Pursuant to relevant PRC laws and regulations, within 30 days after the conclusion of the lease agreement, the parties involved shall register the lease and if there is any change in the registered lease, the parties involved shall file for a change in the lease registration within 30 days. Failure to comply within the stipulated period may result in a fine ranging from RMB1,000 to RMB10,000 imposed by relevant authorities.

With regards to environment, safety and occupational health, see also "—Failure to comply with environmental, safety and occupational health laws and regulations in the PRC may have a material adverse effect on our business, financial condition and results of operations."

Complying with government regulations may require substantial expenses, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time and resources to resolve any deficiencies. We may also experience negative publicity arising from such deficiencies, which may materially and adversely affect our financial performance and business prospects.

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

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations in various jurisdictions in which we conduct activities. We have adopted policies and procedures designed to ensure compliance with applicable anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations by our employees, suppliers, representatives, consultants, agents and business partners. We have specifically stipulated the compliance with above-mentioned policies and procedures in our contracts with our employees, while we were not able to do so in every contract or agreement we entered into with other parties as some of those other parties were required by their own internal policies to use their own contract templates, which was in line with the industry practice. We have established relevant mechanisms to ensure the implementation of such policies and procedures, such as periodic review and reporting the issues identified including those related to our employees and other parties, collecting evidence and reporting to relevant authorities if there involves violation of applicable laws and regulations of our employees and other parties. However, our policies and procedures may not be sufficient, and our directors, officers, employees, suppliers, representatives, consultants, agents, and business partners could engage in improper conduct for which we may be held responsible.

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

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

As of the Latest Practicable Date, we are involved in a few pending legal proceedings in relation to ordinary commercial disputes. We may be involved from time to time in disputes with various parties involved in our business operations, including but not limited to our customers, suppliers, employees, logistics service providers, factoring companies and banks. These disputes may lead to legal or other proceedings, including threatened proceedings, which may result in damages to our reputation, substantial costs and diversion of our resources and management's attention. In addition, we may encounter additional compliance issues in the course of our operations, which may subject us to administrative proceedings and unfavorable results, and result in delays relating to our production or product launch schedules. We cannot assure you as to the outcome of such legal proceedings, and any negative outcome may materially and adversely affect our business, financial condition and results of operations.

**We may incur significant costs because of the warranties we provide with our products, and our provisions to cover future potential claims under our product warranties may be insufficient.**

We provide warranty for our battery products based on the years and/or miles of use, which varies based on the customers' needs and the type of products. We provide provisions for these potential warranty expenses, which is based on a certain percentage of sales revenue during the period. Our provision for product warranty was RMB39.0 million, RMB100.8 million, RMB168.8 million and RMB262.7 million as of December 31, 2021, 2022, 2023 and 2024, respectively, the increase of which was primarily driven by changes in sales volume of our battery products during the Track Record Period. As we continue to upgrade our products design and introduce new products, there is no assurance that future warranty claims will be consistent with history, and in the event that we experience a significant increase in warranty claims, there is no assurance that our provision will be sufficient. This could have a material adverse effect on our business, financial condition and results of operations.

**We recorded net current liabilities in the past, which might expose us to certain liquidity risks and could constrain our operational flexibility.**

We recorded net current liabilities of RMB428.9 million, RMB616.7 million, RMB1,794.7 million and RMB764.4 million as of December 31, 2021, 2022, 2023 and 2024, respectively. See "Financial Information—Liquidity and Capital Resources." We may still retain a net current liabilities position in the future, which may adversely affect our financial performance. A net current liabilities position exposes us to liquidity risks. Our future liquidity, capital expenditures, the payment of trade and bills payables and the repayment of debt financing will primarily depend on our ability to generate an adequate cash flow from our operating activities. If we have a shortage in the cash flow generated from operations, our liquidity position may be materially and adversely affected, which in turn may impact our ability to execute our business strategies and constrain our business operation. See "—We recorded net operation cash outflow in the past, and our liquidity, financial condition and prospects may be adversely affected if we continue to record net operating outflow in the future." In such event, our business, financial condition and results of operations could be materially and adversely affected.

**We recorded net operation cash outflow in the past, and our liquidity, financial condition and prospects may be adversely affected if we continue to record net operating outflow in the future.**

In 2021 and 2024, we recorded net cash outflow from operating activities of RMB165.4 million and RMB361.1 million, respectively. See "Financial Information—Liquidity and Capital Resources—Cash Flows." Although we have recorded net cash inflow from operating activities in 2023, there is no assurance that we will continue to generate net cash inflows from our operating activities in the future. In the event that we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity, financial condition and prospects may be adversely affected. We cannot assure you that we will continue to have sufficient cash from other sources to fund our operations. If we resort to other financing activities to obtain additional cash, we will incur additional financing costs, and we cannot assure you that we will be able to obtain financing to satisfy our needs of cash flow on terms acceptable to us, or at all.

**We may fail to recover our trade receivables in a timely manner, which may affect our financial condition and results of operations.**

As of December 31, 2021, 2022, 2023 and 2024, our trade and bills receivables and contract assets amounted to RMB321.5 million, RMB328.4 million, RMB1,153.9 million and RMB1,628.4 million, respectively. We had bills receivables at fair value through other comprehensive income of nil, nil, nil, and RMB92.9 million as of December 31, 2021, 2022, 2023 and 2024, respectively. The increase of RMB92.9 million in 2024 was primarily driven by a significant increase in the use of bills by customers for settlement along with growth in products sold. To meet our cash management needs, we utilized a larger portion of these bills for endorsement and discounting. Due to the increased endorsement and discounting activity in 2024, these bills were no longer held solely for collection but instead actively used in transactions. Consequently, under applicable accounting standards, they met the criteria for reclassification to FVOCI. As a result, certain bills receivables issued by high-credit-grade banks were reclassified to the category of bills receivables at fair value through other comprehensive income. We recorded impairment of trade and bills receivables and contract assets of RMB79.1 million, RMB606.2 million, RMB617.0 million and RMB624.3 million as of December 31, 2021, 2022, 2023 and 2024, respectively. Our trade and bills receivables and contract assets turnover days amounted to 60.9 days, 36.1 days, 65.0 days and 99.0 days in 2021, 2022, 2023 and 2024. There can be no assurance that we will be able to maintain our trade and bills receivables turnover days at a reasonable level. Should the credit worthiness of our customers deteriorate, or should a significant number of our customers fail to settle their trade receivables in full for any reason, we may continue to incur impairment losses in the future and our results of operations and financial position could be materially and adversely affected. In addition, there may be a risk of delay in payment by our customers within their respective credit period, which in turn may also result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade receivables from the customers or that they will settle our trade receivables in a timely manner. In the event that settlements from customers are not made on a timely manner, or at all, our financial condition and results of operations may be materially and adversely affected. For example, in 2022, we recorded impairment losses of RMB601.4 million in relation to WM Customer. We recorded such impairment losses based on our assessment of the recoverability in light of the relevant circumstances pursuant to IFRS. See "Financial Information—Discussion of Major Items in Consolidated Statements of Financial Position—Trade and Bills Receivables and Contract Assets" for further details.

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

During the Track Record Period, our contract liabilities comprise advances received from our customers. We typically require some of our customers to pay part of the consideration for their purchases from us upon or prior to the delivery of the products. As of December 31, 2021, 2022, 2023 and 2024, we had contract liabilities of RMB40.9 million, RMB145.4 million, RMB44.7 million and RMB14.8 million, respectively. See "Financial Information—Discussion of Major Items in Consolidated Statements of Financial Position—Contract Liabilities." Our recognition of contract liabilities as revenue is subject to future performance of contract obligations and may not be representative of revenue for future periods. The continued operation of our production facilities may be substantially interrupted and materially and adversely affected due to a number of factors, many of which may be beyond our control. As a result of disruption to any of our production facility or any problems in manufacturing our products, we may fail to fulfill our contract obligations or meet market demand for our products, and our results of operations, liquidity and financial position could be adversely affected.

**Share-based payments may lead to shareholding dilution for our existing Shareholders and adversely affect our financial performance.**

We adopted share incentive schemes for the benefit of our Directors, senior management, backbone employees and new employees who are essential to the development of the Company. See "Appendix IV—Statutory and General Information—Pre-IPO Equity Incentive Plans." In 2021, 2022, 2023 and 2024, we incurred share-based payment expenses of RMB22.6 million, RMB35.0 million, RMB43.9 million, and RMB58.9 million, respectively. To further incentivize our Directors, senior management, key technicians and key employees, we may pay additional share-based payment in the future. Issuance of Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Such share-based payments may also increase our expenses and therefore have a material and adverse effect on our financial performance.

**Our financial result may be affected by government grants.**

During the Track Record Period, we had recorded government grants. Not all of the government grants are recurring in nature. See "Financial Information—Principal Components of Statement of Profit or Loss and Other Comprehensive Income—Other Income and Gains." Government grants we received are uncertain and are subject to certain criteria and procedures stipulated by the local government.

In addition, the development focus of local government may shift to other industries over time. We cannot assure you that we will be able to receive any such government grants in the future, or that such government grants we have already received will not be required to be returned. If we are unable to receive the government grants in the future at the same level as we had during the Track Record Period, our financial condition and results of operations for the period may be adversely affected.

**If we are unable to fully recover our contract assets, our liquidity and financial position may be adversely affected.**

During the Track Record Period, we recorded contract assets from the sales of products, which will be reclassified as trade receivables upon certain conditions. As of December 31, 2021, 2022, 2023 and 2024, we had contract assets of RMB11.7 million, RMB2.0 million, RMB6.5 million and RMB5.1 million, respectively. We cannot assure you that the financial position of our customers will remain solvent or that we will be able to recover our contract assets in full or at all in the future. If we are unable to recover our contract assets, our liquidity and financial position may be materially and adversely affected, in particular as we have already incurred costs and expenses when conducting preliminary research and development for products and producing such products.

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

Our other intangible assets primarily include trademarks, patents and software, which amounted to RMB592.3 million, RMB549.1 million, RMB491.5 million and RMB423.1 million as of December 31, 2021, 2022, 2023 and 2024, respectively. However, our other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying value of our intangible assets is considered to exceed its recoverable amount and is therefore determined to be impaired in the future, we would be required to write down the carrying value or record a provision of impairment loss for these intangible assets in our financial statements during the period in which our intangible assets are determined to be impaired, and this impairment would adversely affect our results of operations and our financial condition. While we did not recognize impairment loss for intangible assets during the Track Record Period, we cannot assure you that there will be no such losses in the future, which could adversely affect our results of operations and financial conditions.

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

We recorded prepayments, other receivables and other assets of approximately RMB548.8 million, RMB350.0 million, RMB136.5 million and RMB113.2 million as of December 31, 2021, 2022, 2023 and 2024, respectively. During the Track Record Period, our prepayments, other receivables and other assets primarily include prepayments for long-term assets, prepayments to suppliers, other tax recoverable, prepaid expenses and deposits. See "Financial Information— Discussion of Major Items in Consolidated Statements of Financial Position—Prepayment, Other Receivables and Other Assets." We recorded impairment allowance for our prepayments, other receivables and other assets of RMB54.6 million, RMB0.6 million, RMB0.7 million and RMB0.5 million as of December 31, 2021, 2022, 2023 and 2024, respectively. If we record more impairment losses on our prepayments, other receivables and other assets in the future, our business, financial condition and results of operations may be materially and adversely affected.

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

Fluctuation in fair value change of our financial assets at fair value through profit or loss, which primarily include structured deposits and wealth management products. As of December 31, 2022, we had financial assets at fair value through profit or loss of RMB1,162.6 million. Changes in the fair value of the wealth management products are reflected in our consolidated statement of profit or loss. The methodology that we use to assess the fair value of our investments in wealth management products involve a significant degree of management judgment and are inherently uncertain. We cannot assure you that market conditions and regulatory environment will create fair value gains on the wealth management products we invest in or that we will not incur any fair value losses on our investments in wealth management products in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

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

We operate in a capital-intensive industry that requires substantial capital and other long-term expenditures, including expenditures for the purchase of equipment and construction of production facilities. To the extent that we expand or add new production facilities, we expect to fund the related financial commitments and other capital and operating expenses from cash generated from our operating activities, credit facilities, the proceeds from the Pre-IPO Investments, banking facilities, and the net proceeds from the Global Offering. However, we cannot assure you that we will be able to generate sufficient cash from our operations or obtain the necessary financing or that such financing will be at interest rates and on other terms that are commercially reasonable and affordable to us or consistent with our expectations. To the extent we cannot obtain financing for our expansion or acquisitions at reasonable costs or at all in the future, our business may be adversely affected. In addition, our expansions require us to make pre-construction preparation and trial production input, as a result, during certain quarters we may incur higher working capital needs that may affect our working capital sufficiency. We cannot assure you that we will not experience any unforeseen circumstances that may adversely affect our working capital in the future. If that happens, our business, financial position, results of operations, prospects may be affected.

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

Any negative news or publicity in relation to us, or any of our Directors, management, Controlling Shareholders and joint ventures or business partners or counterparties, or any of their respective affiliates, among others, whether or not they act on our behalf or otherwise utilize or share our brand name, and even if proven untrue, could adversely affect our reputation, business and growth prospects.

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

**Our facilities or operations could be damaged or adversely affected as a result of natural disasters, other catastrophic events or risks related to health epidemics and pandemics.**

Our facilities or operations could be adversely affected by events outside of our control, such as natural disasters, wars, health epidemics and pandemics, and other calamities. We cannot assure you that any backup systems will be adequate to protect us from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing events may give rise to interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to produce our products and provide services.

We also face various risks related to public health issues, including epidemics, pandemics, and other outbreaks. The impact of such public health issues, including changes in consumer and business behavior, pandemic fears and market downturns, and restrictions on business and individual activities, may create significant volatility in the global economy and led to reduced economic activity.

**The success of our business is affected by our ability to attract, train and retain highly skilled employees and key personnel.**

As a result of the highly specialized, technical nature of our business, we must attract, train and retain a sizable workforce comprising highly-skilled employees and other key personnel. If one or more of our highly skilled employees or key personnel were unable or unwilling to continue their services with us, we might not be able to replace them easily, in a timely manner, or at all. Moreover, our industry is characterized by high demand and intense competition for talent, we may have to pay higher salaries and wages and provide greater benefits in order to attract and retain highly-skilled employees or other key personnel that we will need to achieve our strategic objectives. As we are still a relatively young company, our ability to recruit, train and integrate new employees into our operations may not meet the growing demands of our business. Our failure to attract, train or retain highly-skilled employees and other key personnel in numbers that are sufficient to satisfy our needs would materially and adversely affect our business and the results of operations. Staff that we are unable to retain also pose a risk, since they can inform competitors of our commercially sensitive information such as know-how and may lessen the technological advantages over our competitors that we have developed.

**We may not have adequate insurance to cover losses and liabilities arising from various operational risks and hazards. Specifically, we may be involved in product liability claims, and our product liability insurance may not be sufficient to cover potential liability from product liability claims.**

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

Designing, manufacturing and sales of quality products that are safe and reliable is of vital importance to our business. However, we have been, and may be subject to lawsuits of product liability claims, product recalls, or redesign efforts, all of which would be time consuming and expensive. Our product liability insurance may not be sufficient to cover potential liability claims. Inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product recalls and product liability claims could prevent or inhibit the commercialization of our products or could result in a loss of customers and decrease in revenue, unexpected expenses and a loss of market share. If any of our products are found to have reliability, quality or compatibility problems, we will be required to accept returns, provide replacements, provide refunds, or pay damages. We cannot assure you that as we continue distribution of our products, we will be able to obtain or maintain adequate insurance coverage on acceptable terms, or that such insurance will provide adequate coverage against all potential claims. In the event that our exposure to liabilities exceeds the coverage of our insurance, we may still be required to incur substantial amounts, which would materially and adversely affect our business, financial condition and results of operations. As of the Latest Practicable Date, we were not aware of any case that would cause product liabilities in the future.

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

We rely on our computer systems and network infrastructure to conduct and monitor the daily operations of our manufacturing facilities, and to collect accurate up-to-date financial and operating and other transaction data for business analysis. We also rely on such systems and infrastructure to collect, process and store transactional data concerning our customers, and business partners. See "Business—Information Technology" for details on the various types of information systems and technologies we adopt in our business operations. Therefore, our business is dependent upon the continued maintenance and enhancement of our computer systems and network infrastructure. Such systems and infrastructure are subject to certain risks, such as malfunction, nature disasters, and also the cyber security risks. Although we have devoted significant resources to develop our security measures against cyber security issues, our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of customer information, or a denial-of-service or other interruption to our business operations. In cases of ransomware attacks, we may be asked to make a large lump-sum payment in order to resume the operation of our system, which may materially and adversely impact our business and financial condition. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we may be unable to anticipate, or implement adequate measures to protect against these attacks. There is no assurance that we will not be subject to any of those cyber security issues in the future. Any failure to adequately deal with such issues would result in a material and adverse effect on our business and results of operations.

**Regulatory requirements regarding data protection and information security are constantly evolving, the changes of which or any data protection and information security incidents may have a material and adverse effect on our business and results of operations.**

We are subject to laws and regulations relating to the collection, storage, use, processing, transmission, retention, security and transfer of personal information and other data. Any improper handling of personal information or any other information security incidents, such as unauthorized access to our database by hackers, could result in reputation damage and/or civil or regulatory liabilities that may have significant legal, financial and operational consequences.

During the Track Record Period and as of the Latest Practicable Date, we had complied with applicable laws and regulations in the PRC relating to data security and privacy protection in material aspects. Regulatory requirements regarding the data security and data protection are constantly evolving, of which the interpretation and application are also evolving and subject to change that may affect us. If we are unable to comply with the then applicable laws and regulations, or to address any data privacy and protection concerns, such actual or alleged failures could damage our reputation, results of operations and business prospects and/or could lead to civil or regulatory liabilities. For details of cybersecurity-related regulations, see "Regulatory Overview—Regulations related to Cyber Security and Data Security."

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

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

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

**Global inflationary pressures could adversely affect our profitability and growth.**

The global economy has, during certain periods, been accompanied by periods of high inflation, and we face possible inflationary pressures, such as a general pressure from a global inflation-related economic slowdown and the effect on the price of raw materials due to inflation. For example, we have experienced inflationary pressure triggered by the slowdown in production and disruption to supply chains, which was exacerbated by the regional conflicts, which led to worsening economic conditions stemming from a decrease in worldwide productivity. If such or other inflationary pressures continue and are not mitigated by government measures, our cost of sales will likely increase and our profitability could be materially reduced, as there is no assurance that we would be able to pass any cost increases onto our customers.

## RISKS RELATING TO DOING BUSINESS IN THE PRC

**New legislations or new regulatory requirements regarding the end markets of our products may affect our business operations and prospects.**

Our products are used in our customer's end products, including EVs and ESSs. New legislations and new regulatory requirements regarding these end markets may affect our business, financial condition, results of operations and prospects. For example, a number of legislations in relation to the new energy vehicle market has been promulgated. On June 28, 2012, the State Council of PRC approved the Energy-saving and New Energy Automobile Industry Development Plan (2012-2020) (Guo Fa [2012] No. 22) (《節能與新能源汽車產業發展規劃(2012-2020年)》) (國發[2012]22號), granting supports and subsidies to EVs. On July 14, 2014, the General Office of the State Council issued the Guiding Opinion of the General Office of the State Council on Accelerating the Popularization and Application of New Energy Vehicle (Guo Ban Fa [2014] No. 35) (《國務院辦公廳關於加快新能源汽車推廣應用的指導意見》) (國辦發[2014]35號) to grant further tax incentives and exemptions for new energy vehicles. On March 13, 2015, the Ministry of Transport issued the Opinions on Accelerating the Promotion and Application of New Energy Vehicles in the Transportation Industry (Jiao Yun Fa [2015] No. 34) (《關於加快推進新能源汽車在交通運輸行業推廣應用的實施意見》) (交運發[2015]34號). A preferential vehicle licensing system has also been introduced in several cities in the PRC to further encourage the purchases of new energy vehicles. On October 20, 2020, the State Council issued the New Energy Automobile Industry Development Plan (2021-2035) (Guo Ban Fa [2020] No. 39) (《新能源汽車產業發展規劃(2021-2035年)》 (國辦發[2020]39號)), proposing to achieve the large-scale application of vehicles with high driving automation through a 15-year effort. However, these policies are subject to certain limits, and we cannot assure you that any new legislations or regulatory requirements, if any, would be favorable to our business or financial condition. For instance, according to the Notice on Improving the Financial Subsidy Policies for the Promotion and Application of New Energy Vehicles (Cai Jian [2020] No. 86) (《關於完善新能源汽車推廣應用財政補貼政策的通知》(財建[2020]86號)) (the "**2020 Subsidy Circular**"), released by the Ministry of Finance, the Ministry of Industry and Information Technology, the Ministry of Science and Technology and the Development and Reform Commission on April 23, 2020, which was further confirmed on

December 31, 2020 and December 31, 2021, save in areas such as public transportation, the subsidies for EV purchases from 2020 to 2022 will generally be reduced by 10%, 20% and 30%, respectively, based on the level of the previous year, and the total number of EVs sold in China that will be entitled to such subsidies should be no more than two million each year. In addition, the national EV subsidy policy for purchase of new EVs under the 2020 Subsidy Circular was terminated on December 31, 2022. The termination of the subsidy policy could directly affect the profitability of the EV manufacturers in the short term and some of them may choose to pass down such increased costs to end customers, which may discourage end customers from choosing EV, and then affect the overall market demand of EV battery products.

In addition, in the context of the national goal of carbon neutrality, China energy storage market welcomes a series of favorable policies. For instance, Action Plan for Carbon Dioxide Peaking Before 2030 issued by the State Council in 2021 unveiled a series of action plan to accelerate the energy storage development. As for ESS industry, on July 23, 2021, the National Development and Reform Commission (the "**NDRC**") and the National Energy Administration (the "**NEA**") issued the Guiding Opinions on Accelerating the Development of New Energy Storage (Fa Gai Neng Yuan Gui [2021] No. 1051) (《關於加快推動新型儲能發展的指導意見》) (發改能源規[2021]1051號), which set the goal of achieving a cumulative installation capacity of 30 GWh of ESS by 2025, and achieving the comprehensive market development of new energy storage by 2030. On July 26, 2021, the NDRC issued the Notice on Further Improvement of the Time-of-use Pricing Mechanism (Fa Gai Jia Ge [2021] No. 1093) (《關於進一步完善分時電價機制的通知》) (發改價格[2021]1093號), which encouraged the use of ESS to reduce the power load in peak hours. On December 21, 2021, the NEA issued the Regulations on Power Grid Connection and Operations (Guo Neng Fa Jian Guan Gui [2021] No. 60) (《電力併網運行管理規定》) (國能發監管規[2021]60號), which included electrochemical energy storage and other new energy storage into the management of grid-connected subjects. On January 29, 2022, the NDRC and NEA issued The "14th Five-Year Plan" New Energy Storage Development Implementation Plan (Fa Gai Neng Yuan [2022] No. 209) (《"十四五"新型儲能發展實施方案》) (發改能源[2022]209號), which set the goal of enhancing the technological performance of electrochemical ESS and reduces the systematic cost by over 30% by 2025, and encouraged to innovate new energy storage business models and explore the application of business models such as shared energy storage, cloud energy storage and energy storage aggregation. The Standards for Lithium-Ion Battery Industry (2024 edition) 《鋰離子電池行業規範條件(2024年本)》 and the Measures for the Administration of Lithium-Ion Battery Industry (2024 edition) 《鋰離子電池行業規範公告管理辦法(2024年本)》 were released by the Ministry of Industry and Information Technology, which enhanced the performance specifications requirements for Lithium-Ion batteries and the application requirements for production capacity expansion. New rules and regulations may be further issued in the future and there can be no assurance that new rules and regulations will always be favorable to our business or financial condition.

We may need to change or adapt our business focuses from time to time in response to the new rules and regulations regarding the end markets of our products, but we may also not be able to do so timely and efficiently.

**We are subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with the Global Offering and future capital raising activities.**

On July 6, 2021, the General Office of the State Council together with another authority jointly promulgated the Opinion on Severely Punishing Illegal Activities in Securities Market (the "Securities Activities Opinions") (《關於依法從嚴打擊證券違法活動的意見》), which calls for the enhanced administration and supervision of overseas-listed China-based companies, proposes to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarifies the responsibilities of competent domestic industry regulators and government authorities.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Overseas Listing Trial Measures") and five supporting guidelines, which took effect on March 31, 2023. According to the Overseas Listing Trial Measures, we, as a PRC domestic company seeking to listing and offering securities in overseas markets, are required to file with the CSRC within three working days after submitting the application documents to the overseas supervisory authorities. In addition, the Overseas Listing Trial Measures also requires subsequent reports to be submitted to the CSRC on relevant information or material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

Given that the Overseas Listing Trial Measures were relatively new, their interpretation, application, and enforcement are still evolving and we are closely monitoring how they will affect our operations and our future financing. In addition, we cannot assure you that we will be able to complete all filing or report requirements in time or at all. Any failure to complete or delay in completing such filing or report procedures for the Global Offering or future financing activities would subject us to sanctions by the CSRC or other PRC regulatory authorities. These regulatory authorities may impose fines and penalties on our operations in the PRC, limit our ability to pay dividends outside of the PRC, limit our operating activities in the PRC, delay or restrict the repatriation of the proceeds from this offering or future capital raising activities into the PRC, or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our H Shares.

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

Most all of our operations are located in the PRC. As a result, our results of operations, financial condition and prospects are substantially affected by economic, political, and social conditions in the PRC.

In addition, factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation all affect the business and economic environment, the growth of the new energy industry and ultimately, the profitability of our business. Our labor and other costs may also increase due to pressure from inflation. Any future calamities, such as natural disasters, outbreak of contagious diseases or social unrest, may cause a decrease in the level of economic activities and adversely affect the economic growth in the world.

**Holders of our Shares may not be able to enforce their rights successfully as shareholders in the PRC according to the PRC Company law or Hong Kong (China) regulatory provisions.**

As substantially all of our business is conducted in the PRC, our operations are principally governed by the PRC laws and regulations. Due to the difference in legal systems, certain important aspects of PRC Company Law are different from the corporate laws of common law jurisdictions such as Hong Kong (China), particularly with respect to investor protection, such as shareholder class action suits and measures protecting non-controlling shareholders; restrictions on directors; disclosure requirements; different rights of classes of shareholders; general meeting procedures and disbursement of dividends. Our Articles of Association include provisions in accordance with the Listing Rules. Although such provisions have been included, we cannot assure you that there is no discrepancy exists between the protections we given to our investors in civil law jurisdictions and those given to investors in companies formed in common law jurisdictions. In addition, PRC laws and regulations are statute-based and, similar to other civil law jurisdictions, the interpretation and enforcement of statutory laws and regulations may be changed to adapt the rapid development of economic, political, and social conditions, and there can be no assurance that we will be able to fully comply with new rules and regulations that may be relevant to investor protection, which may limit the legal protections available to investors, including you. In addition, litigation in any jurisdiction may be protracted and result in substantial costs and diversion of our resources and management attention.

**Holders of our H Shares may be subject to PRC income tax obligations.**

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares.

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares ("**Non-PRC Resident Individual Holders**") are subject to the PRC individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (國稅函[2011]348號) dated June 28, 2011 and issued by the SAT of the PRC, the tax rate applicable to dividends paid to Non-PRC Resident Individual Holders of H Shares varies from 5.0% to 20.0%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the Non-PRC Resident Individual Holder of H Shares resides, as well as the tax arrangement between the PRC and Hong Kong (China). Non-PRC Resident Individual Holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20.0% withholding tax on dividends received from us. In addition, under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations, Non-PRC Resident Individual Holders of H Shares are subject to individual income tax at a rate of 20.0% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui Zi [1994] No. 020) issued by the MOF and SAT on May 13, 1994, the income gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempted from individual income tax for the time being.

In addition, under the Individual Income Tax Law of the PRC and its implementation regulations, non-PRC resident individual holders are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H shares. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF of the PRC and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. Based on our knowledge, as of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, no such individual income tax was levied by PRC tax authorities in practice. If such tax is collected in the future, the value of such individual holders' investments in H Shares may be materially and adversely affected.

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) ("**EIT Law**") and its implementation regulations, a non-PRC resident enterprise that do not have establishments or premises in China, and those have establishments or premises in China but whose income is not related to such establishments or premises is generally subject to enterprise income tax at a rate of 10.0% with respect to its PRC-sourced income, including dividends received from us and gains derived from the disposition of H shares. This rate may be reduced under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H-shares of the Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10.0% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval. PRC tax authorities are responsible for interpreting and implementing the EIT Law and its implementation rules, including whether and how enterprise income tax on gains derived upon the sale or other disposition of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC resident enterprise holders' investments in H Shares may be materially and adversely affected.

**Under the EIT Law, we cannot guarantee that we will be classified as a "high and new-technology enterprise" of the PRC in the future. Such classification could result in unfavorable tax consequences.**

Pursuant to the EIT Law, a high and new-technology enterprise may enjoy a preferential enterprise income tax rate of 15%. The Company received approvals by competent government authorities, and were recognized as high and new-technology enterprises with a validity period of three years, which entitled the Company a preferential tax rate of 15% from October 12, 2022 to October 11, 2025.

Despite being eligible for preferential tax rate as high and new-technology enterprises during the Track Record Period, there is no assurance that the Company or the subsidiary would successfully reapply for the certificates of high and new-technology enterprises so as to enjoy the preferential tax rate after the expiry of the certificates, in which case our Group and our subsidiaries will be subject to the normal enterprise income tax rate of 25% as for all PRC enterprises. The effective tax rate will therefore significantly increase, which may have a material adverse effect on our business, results of operations and financial condition.

**It may be difficult to effect service of process upon us or our Directors or executive officers.**

Most of our Directors and executive officers reside within the PRC, and most of our assets and substantially all of the assets of those persons are located within the PRC. Due to the difference in legal systems, it may be difficult for investors to effect service of process within certain jurisdictions outside the PRC upon us or those persons. Furthermore, the recognition and enforcement of a foreign judgement is subject to the satisfaction of certain conditions provided under the applicable PRC law, and the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong (China) has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, satisfying the conditions on the recognition and enforcement of a foreign judgement with the absent of treaties providing for the reciprocal recognition and enforcement in China or Hong Kong (China) of judgments of a court obtained in the United States and any of the other jurisdictions mentioned above may be difficult, as the case in many other jurisdictions. Under the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Agreement**"), where any designated PRC court or any designated Hong Kong (China) court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong (China) court for recognition and enforcement of the judgment.

On January 18, 2019, the PRC Supreme Court and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**PRC-HK 2019 Arrangement**"), which extends the scope of judicial assistance available for civil and commercial matters and discontinued the requirements for a choice of court agreement for bilateral recognition and enforcement. The Arrangement was superseded upon the effectiveness of the PRC-HK 2019 Arrangement on January 29, 2024.

Under the PRC-HK 2019 Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong (China) court for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the PRC-HK 2019 Arrangement. Although the PRC-HK 2019 Arrangement has been signed, the outcome and effectiveness of any action brought under the PRC-HK 2019 Arrangement will be subject to the PRC courts further adjudication in accordance with PRC laws, including the PRC civil procedure law.

**Laws and regulations over foreign currency conversion and on the remittance of Renminbi into and out of the PRC may affect our utilization of our revenue and our ability to remit dividends.**

The PRC government imposes laws and regulations on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of Renminbi into and out of the PRC. Under the existing PRC foreign exchange regulations, foreign exchange transactions under the current account conducted by us, including the payment of dividends, can be made in foreign currencies without prior approval of SAFE by complying with certain procedural requirements and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we do not meet the procedural approvals in respect of the foreign exchange administration, our potential offshore capital expenditure plans and even our business may be materially and adversely affected.

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

Our revenue and expenses are substantially denominated in Renminbi. We may need to obtain foreign currency to make payments of declared dividends, if any, on our Shares. In addition, our proceeds from the Global Offering will be denominated in Hong Kong dollars. The value of currencies against the Hong Kong dollar, the U.S. dollar and other currencies is based on rates set by the People's Bank of China, which is affected by, among other things, changes in global and geographical political and economic conditions, supply and demand in the monetary markets, and economic and political developments domestically and internationally. It is difficult for us to predict how external factors in respect of markets or policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future. The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar may result in a decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in a foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. All of these global and geographical political and economic factors may adversely affect the value of and any dividends payable on, our Shares in Hong Kong dollars.

**Failure to comply with the PRC regulations regarding contribution of social insurance premium or housing provident fund may subject us to fines and other legal or administrative sanctions.**

Pursuant to the PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. The amount we are required to contribute for each of our employees under such plan should be calculated based on the employee's actual salary level of previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities. During the Track Record Period, we did not pay social insurance and housing provident fund in full for some of our employees based on their actual salary level. During the Track Record Period, we used third-party service providers to apply for social insurance registration and housing funds deposit registration and to pay social insurance and housing fund for some of our employees. As a result, we may be required by competent authorities to pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court. Pursuant to relevant PRC laws and regulations, the relevant PRC authorities may demand the employers failing to perform the aforesaid obligations to pay the outstanding social insurance contributions within a stipulated timeframe and such employers may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If employers fail to make such payments, they may be liable to a fine of one to three times the amount of the outstanding contributions. With respect to a failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require payment of the outstanding amount within a stipulated timeframe. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

**The enforcement of PRC Labor Contract Law and other labor related regulations may materially affect our business, financial condition and results of operations.**

Pursuant to the Labor Contract law of the PRC (《中華人民共和國勞動合同法》) and its implementation rules, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, overtime working hours limitations, determining the term of employees' probation and unilaterally terminating labor contracts. The Labor Contract Law of the PRC and its implementation rules may limit our ability to terminate employments or to make other labor adjustments at will.

During the Track Record Period, we engaged third-party employment agencies to dispatch contract workers. On December 28, 2012, the Labor Contract Law of the PRC was amended to impose more stringent requirements on labor dispatch and such amendments became effective on July 1, 2013. For example, the number of dispatched contract workers that an employer hires may not exceed a certain percentage of its total number of employees, to be decided by the Ministry of Human Resources and Social Security and the dispatched contract workers may only engage in temporary, auxiliary or substitute work. According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014 (the "**Interim Provisions**"), the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers).

During the Track Record Period, some of our subsidiaries had exceeded the above 10% limit. Pursuant to relevant PRC laws and regulations, if an employer violates regulations related to labor dispatch, the labor administration department will order it to make corrections within a specified period. Failure to make corrections within the given period may lead to a fine ranging from RMB5,000 to RMB10,000 per person. As of the Latest Practicable Date, all of our subsidiaries within our Group had less than 10% of contract workers. Even though we had not received any notice of warning or been subject to any administrative penalties or other disciplinary actions from relevant PRC authorities during the Track Record Period and up to the Latest Practicable Date, we cannot assure you that the relevant PRC authorities will not take actions retrospectively against us for our past practice, which may adversely affect our business, results of operations and reputation.

If we are deemed to have violated relevant labor-related laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

**Failure to comply with environmental, safety and occupational health laws and regulations in the PRC may have a material adverse effect on our business, financial condition and results of operations.**

Our business is subject to certain PRC laws and regulations relating to environmental, safety and occupational health matters. Under these laws and regulations, we are required to maintain safe production conditions and protect the occupational health of our employees. We did not complete the safety and occupational health assessment, acceptance and filing procedures for certain of our projects before commencement of construction or production. We had obtained written confirmation or the credit reports from the competent authorities that we had not been subject to any administrative penalties during the Track Record Period with regards to safety and/or occupational health. While we have conducted periodic inspections of our operating facilities and carry out equipment maintenance on a regular basis to ensure that our operations are in compliance with applicable laws and regulations, we cannot assure you that we will not experience any material accidents or worker injuries in the course of our manufacturing process in the future.

In addition, our manufacturing process produces pollutants such as wastewater, waste gas, noises and solid wastes. The discharge of wastewater and other pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. During the Track Record Period, certain of our facilities commenced construction or production without obtaining the relevant approvals with regards to environmental impact assessment or without completing the environmental protection projects acceptance inspection. We had obtained official credit reports for our Group which confirm that we were not subject to any administrative penalties with regards to environmental sector during the Track Record Period. However, we cannot assure you that all situations that will give rise to material environmental liabilities will be discovered or any environmental laws adopted in the future will not materially increase our operating costs and other expense. Should the PRC impose stricter environmental protection standards and regulations in the future, we cannot assure you that we will be able to comply with such new regulations at reasonable costs, or at all. Any increase in production costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial condition or results of operations.

## RISKS RELATING TO THE GLOBAL OFFERING

**There has been no prior public market for our H Shares, and their liquidity and market price maybe volatile.**

Prior to the Global Offering, there has been no public market for our H Shares. The initial Offer Price for our H Shares to the public will be the result of negotiations between us and the Joint Representatives (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of our H Shares following the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the H

Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of our H Shares will not decline following the Global Offering.

Furthermore, the price and trading volume of our H Shares may be volatile. The following factors, among others, may cause the market price of our H Shares after the Global Offering to vary significantly from the Offer Price:

- variations in our revenue, earnings and cash flow;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete effectively in the market;
- political, economic, financial and social developments in China and Hong Kong (China) and in the global economy;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance; and
- involvement in material litigation.

Moreover, shares of other companies listed on the Stock Exchange with operations and assets in China have experienced significant price volatility in the past. It is possible that our H Shares may be subject to changes in price not directly related to our performance and as a result, investors in our H Shares may suffer substantial losses.

**Substantial future sales or the expectation of substantial sales of our H Shares in the public market and conversion of our Unlisted Shares into H Shares could cause the price of our H Shares to decline and could materially impair our future ability to raise capital through offerings of our H Shares.**

Although our Controlling Shareholders are subject to restrictions on their sales of Shares within 12 months from the Listing Date as described in "Underwriting" in this Prospectus, future sales of a significant number of our H Shares by our Controlling Shareholders in the public market after the Global Offering, or the perception that these sales could occur, could cause the market price of our H Shares to decline and could materially impair our future ability to raise capital through offerings of our H Shares. We cannot assure you that our Controlling

Shareholders will not dispose of Shares held by them or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors or otherwise, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders, or the availability of Shares for sale by our Controlling Shareholders, or the issuance of Shares by the Company may have on the market price of the Shares. Sale or issuance of a substantial number of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

We are currently applying for part of the Company's Unlisted Shares to be converted into H Shares after the completion of the Global Offering. According to the PRC Company Law, the Unlisted Shares issued by the Company prior to the Global Offering are restricted from trading within one year from the Listing Date. Such restriction from trading will limit the number of H Shares to be circulated on the market, which will in turn adversely affect the liquidity of the H Shares during such restriction period. If our application for the circulation of our relevant Unlisted Shares on the Hong Kong Stock Exchange after the completion of the Global Offering is successful, any future sales (after the expiration of the restrictions set out above) of Unlisted Shares by relevant Shareholders in the public market may affect the market price of our H Shares. Moreover, if we convert a substantial amount of Unlisted Shares into H shares to be listed and traded in the future on the Hong Kong Stock Exchange, it may further increase the supply of the H shares in the market, which may adversely affect the market price of the H shares.

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

Notwithstanding our current cash and cash equivalents and the net proceeds from the Global Offering, we may require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of investments in and/or acquisitions of new businesses from third parties, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to our Shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be materially and adversely affected.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors' perception of, and demand for, securities of battery producers;
- conditions in Hong Kong (China) and other capital markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;
- the applicable governmental regulation of foreign investment in new energy sectors;
- economic, political and other conditions in China; and
- the applicable governmental policies relating to foreign currency borrowings.

We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell debt or additional equity securities or reduce our growth to a level that can be supported by our cash flow, or defer planned expenditures.

**As the Offer Price of our H Shares is higher than our consolidated net tangible asset book value per Share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases.**

As the Offer Price of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering may experience an immediate dilution. Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our H Shares may experience further dilution of their interest if any Shares are issued upon exercise of any options granted under the Pre-IPO Share Option Scheme, or if we issue additional Shares in the future to raise additional capital.

**Future sale or major divestment of Shares by our Controlling Shareholders may materially and adversely affect the prevailing market price of our H Shares.**

Our Shares held by our Controlling Shareholders are subject to certain lock-up periods, the details of which are set out in the section headed "Underwriting" in this Prospectus. However, there is no assurance that after the restrictions of the lock-up periods expire, our Controlling Shareholders will not dispose of any Shares. Sale of substantial amounts of our Shares in the public market, or the perception that these sales may occur, may materially and adversely affect the prevailing market price of our H Shares.

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

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. Immediately following the completion of the Global Offering, our Controlling Shareholders will be entitled to exercise approximately 46.21% of the voting rights of the Company. This concentration of ownership may discourage, delay or prevent a change in control of the Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of the Company and might reduce the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholder may exercise its substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

**We cannot assure you whether and when we will declare and pay dividends in the future.**

While dividends may be paid out of distributable profits under our Articles of Association, no dividends were distributed during the Track Record Period. Distributable profits mean our net profits for a period, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, less statutory reserve fund appropriations to general risk reserve, transaction risk reserve, and discretionary surplus reserve (as approved by our shareholders' meeting). As a result, we may not have sufficient profit to enable us to make future dividend distributions to our shareholders, even if our financial statements prepared in accordance with IFRSs indicate that our operations have been profitable.

Furthermore, future determination of dividends will also depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, capital adequacy ratio, operation and capital expenditure requirement and other factors that our Board consider relevant. We cannot assure you that the factors we take into consideration will not change in the future.

**Certain facts, forecast and statistics contained in this Prospectus are derived from publicly available sources from official government publications and they may not be reliable.**

Certain facts, forecast and statistics contained in this Prospectus relating to China, the PRC economy and the industry in which we operate have been derived from various official government publications. We have taken reasonable care in the reproduction or extraction of the official government publications for the purpose of disclosure in this Prospectus. However, the information from the official government sources have not been prepared or independently verified by us, the Joint Sponsors, Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the

Capital Market Intermediaries or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts, forecast and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this Prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecast and statistics.

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

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

**Investors should read the entire Prospectus carefully and should not consider any particular statements in this Prospectus or in published media reports without carefully considering the risks and other information contained in this Prospectus.**

Prior to the publication of this Prospectus, there has been coverage in the media regarding us, the Global Offering or our Controlling Shareholders, which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this Prospectus. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this Prospectus only and should not rely on any other information.

In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

## WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, a new applicant for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Stock Exchange.

We do not have a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 and Rule 19A.15 of the Listing Rules. Our management headquarters, senior management, business operations and assets are primarily based outside Hong Kong. The Directors consider that either by means of relocation of our existing executive Directors or appointment of additional executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole. As such, we have applied to the Stock Exchange for, and the Stock Exchange has granted us a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules. We will ensure that there is a regular and effective communication between us and the Stock Exchange by way of, among others, the following conditions:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives, who will act as our principal channel of communication with the Stock Exchange and ensure that our Company complies with the Listing Rules at all times. The two authorized representatives appointed are Ms. Cao Fang (曹芳) and Ms. Ho Wing Nga (何詠雅) ("**Ms. Ho**") (the "**Authorized Representatives**"). Ms. Ho is situated and based in Hong Kong, and will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange. Both of the Authorized Representatives will be readily contactable by telephone and email to deal promptly with enquiries from the Stock Exchange. Our Company has provided contact details of the two Authorized Representatives to the Stock Exchange and will inform the Stock Exchange promptly in respect of any change in the authorized representatives;

(b) both Authorized Representatives have means to contact all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. Our Company has implemented a policy whereby (i) each Director has provided their respective valid phone numbers or other means of communication to the Authorized Representatives; (ii) in the event that a Director expects to travel or is otherwise out of office, he/she will endeavor to provide his/her phone number of the place of his/her accommodation to the Authorized Representatives or maintain an open line of communication via his/her mobile phone; and (iii) each Director has provided his/her mobile phone number, office phone number, e-mail address and, where available, fax number to the Stock Exchange and will inform the Stock Exchange promptly if there are any changes to the contact details of the Directors;

(c) pursuant to Rule 3.20 of the Listing Rules, each Director has provided his/her contact information to the Stock Exchange and to the Authorized Representatives. This will ensure that the Stock Exchange and the Authorized Representatives should have means for contacting all Directors promptly at all times as and when require;

(d) all our Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with relevant members of the Stock Exchange in Hong Kong upon reasonable notice, when required;

(e) pursuant to Rule 3A.19 of the Listing Rules, we have retained the services of Maxa Capital Limited as our Compliance Adviser upon Listing for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, which will act as an additional channel of communication with the Stock Exchange and will be available to respond to enquiries from the Stock Exchange. The contact details of the Compliance Adviser have been provided to the Stock Exchange;

(f) our Authorized Representatives, Directors and other officers of our Company will provide promptly such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules. There will be adequate and efficient means of communication between our Company, Authorized Representatives, Directors and other officers of our Company and the Compliance Adviser, and, to the extent reasonably practicable and legally permissible, we will keep the Compliance Adviser informed of all communications and dealings between the Stock Exchange and us; meetings between the Stock Exchange and our Directors could be arranged through our Authorized Representatives or the Compliance Adviser, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change of Authorized Representatives and/or the Compliance Adviser;

(g) we will appoint other professional advisors (including legal advisors in Hong Kong) after the Listing to assist us in dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange; and

(h) our Company has designated one of our staff members as the communication officer at our headquarters after the Listing who will be responsible for maintaining day-to-day communication with the Authorized Representatives and our Company's professional advisors in Hong Kong, including our legal advisors in Hong Kong and the Compliance Adviser, to keep abreast of any correspondences and/or enquiries from the Stock Exchange and report to our executive Directors to further facilitate communication between the Stock Exchange and our Company.

**WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES**

Pursuant to Rules 3.28 and 8.17 of the Listing Rules and Chapter 3.10 of the Guide for New Listing Applicants, a new applicant for listing on the Stock Exchange must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following factors in assessing the "relevant experience" of the individual:

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company has appointed Ms. Xu Jing (徐婧) ("**Ms. Xu**") and Ms. Ho as our joint company secretaries. See "Directors, Supervisors and Senior Management — Joint Company Secretaries" for their biographical details.

The Company believes that it would be in the best interests of the Company and the corporate governance of the Group to have as its joint company secretary a person such as Ms. Xu, who has been the deputy chief financial officer of the Company since July 2020 and who has day-to-day knowledge of the Company's affairs. Ms. Xu has the necessary nexus to the Board and close working relationship with management of the Company in order to perform the function of a joint company secretary and to take the necessary actions in an effective and efficient manner. However, Ms. Xu presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Ho, who is a fellow member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute and fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules, to act as the other joint company secretary and to provide assistance to Ms. Xu for an initial period of three years from the Listing Date to enable Ms. Xu to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Xu may be appointed as a joint company secretary of our Company.

The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that Ms. Ho, as a joint company secretary of our Company, will work closely with Ms. Xu to jointly discharge the duties and responsibilities as company secretaries and assist Ms. Xu in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Ho will also assist Ms. Xu in organizing Board meetings and Shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Ho is expected to work closely with Ms. Xu and will maintain regular contact with Ms. Xu, the Directors and the senior management of our Company. In addition, Ms. Xu will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the Listing Date. Ms. Xu will also be assisted by (a) the Compliance Adviser, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisors of our Company, on matters concerning our Company's ongoing compliance with the Listing Rules and the applicable laws and regulations.

Pursuant to Chapter 3.10 of the Guide for New Listing Applicants, the waiver will be revoked immediately if Ms. Ho ceases to provide assistance to Ms. Xu as a joint company secretary for the three-year period after the Listing Date or where there are material breaches of the Listing Rules by our Company.

Prior to the expiration of the initial three-year period, the qualifications and experience of Ms. Xu will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance will continue. We will demonstrate that Ms. Xu, having benefited from the assistance of Ms. Ho for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

## WAIVER FROM STRICT COMPLIANCE WITH RULE 10.04 OF THE LISTING RULES AND THE STOCK EXCHANGE'S CONSENT UNDER PARAGRAPH 5(2) OF APPENDIX F1 TO THE LISTING RULES IN RESPECT OF SUBSCRIPTIONS OF OFFER SHARES BY CERTAIN EXISTING SHAREHOLDER AND CLOSE ASSOCIATES AS CORNERSTONE INVESTORS

Rule 10.04 of the Listing Rules provides that an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the following conditions under Rules 10.03(1) and 10.03(2) of the Listing Rules are fulfilled:

(i) that no securities are offered to the existing shareholder on a preferential basis and no preferential treatment is given to the existing shareholder in the allocation of the securities; and

(ii) that the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix F1 to the Listing Rules provides that, without the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 (as set out above) are fulfilled.

Paragraph 12 of Chapter 4.15 of the Guide for New Listing Applicants provides that the Stock Exchange will consider granting a waiver from Rule 10.04 of the Listing Rules and a consent, pursuant to paragraph 5(2) of Appendix F1 to the Listing Rules, to allow a listing applicant's existing shareholders or their close associates to participate in its initial public offering if any actual or perceived preferential treatment arising from their ability to influence the listing applicant during the allocation process can be addressed.

**I. Subscription of Offer Shares by Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment Fund and as Cornerstone Investors**

Paragraph 13 of Chapter 4.15 of the Guide for New Listing Applicants sets out the conditions required to be fulfilled when the Stock Exchange considers granting a waiver and consent from Rule 10.04 of the Listing Rules to placing to existing shareholders or their close associates (the "**Existing Shareholder Conditions**").

Suchuang Energy Investment (as defined below) and Nanjing Konggang (as defined below) are existing Shareholders which together hold approximately 2.49% of the total issued share capital of the Company immediately prior to the Global Offering. Suchuang Energy Investment, being a limited partnership established under the laws of the PRC conducting venture capital investments and R&D of emerging energy technologies, is ultimately controlled by Suzhou Finance Bureau (蘇州市財政局). Nanjing Konggang, being a limited liability company established under the laws of the PRC and primarily engaged in land and infrastructure development, construction, property management, information distribution and logistics-related services, is ultimately controlled by Nanjing Jiangning Economic and Technological Development Zone Management Committee (南京江寧經濟技術開發區管理委員會). Suzhou Finance Bureau and Nanjing Jiangning Economic and Technological Development Zone Management Committee are government bodies of Jiangsu Province.

As further described in the section headed "Cornerstone Investors", Jiangsu State-Owned Enterprise Mixed Ownership Reform Fund (Limited Partnership) (江蘇國有企業混合所有制改革基金(有限合夥)) ("**Jiangsu Mixed Ownership Reform Fund**") and Jiangsu Suzhou High-end Equipment Industry Special Mother Fund (Limited Partnership) (江蘇蘇州高端裝備產業專項母基金(有限合夥)) ("**Suzhou High-end Equipment Fund**") are respectively ultimately controlled by Jiangsu Provincial People's Government (江蘇省人民政府) and Suzhou Finance Bureau, being government bodies of Jiangsu Province. Accordingly, Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment Fund, being our Cornerstone Investors, are close associates of Suchuang Energy Investment and Nanjing Konggang, being our existing Shareholders which together hold approximately 2.49% of the total issued share capital of the Company immediately prior to the Global Offering. Each of Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment Fund have entered into a cornerstone investment agreement with our Company. For further details of such cornerstone investments, please refer to the section headed "Cornerstone Investors".

As further described in the section headed "History, Reorganization and Corporate Structure", Changshu Southeast Industrial Investment Co., Ltd. (常熟東南產業投資有限公司) ("**Southeast Investment**"), Changshu Southeast Investment Holding Co., Ltd. (常熟市東南投資控股有限公司) ("**Southeast Investment Holding**") and Changshu Southeast Xinneng Equity Investment Partnership (L.P.) (常熟東南新能股權投資合夥企業(有限合夥)) ("**Southeast Xinneng**", and together with Southeast Investment and Southeast Investment Holding, the "**Changshu Entities**") are existing Shareholders which are ultimately controlled by the Changshu Finance Bureau (State-owned Assets Supervision and Administration Office of Changshu Municipal Government) (常熟市財政局(常熟市政府國有資產監督管理辦公室)) ("**Changshu SASAC**").

While Changshu is a county-level city (縣級市) under the supervision of Suzhou and ultimately subject to the supervision of the People's Government of Jiangsu Province, the Changshu Entities are under the supervision of Changshu SASAC and are not under direct control or supervision of the People's Government of Jiangsu Province or People's Government of Suzhou (including but not limited to Suzhou Finance Bureau) and therefore the Changshu Entities are independent from the People's Government of Jiangsu Province, the People's Government of Suzhou, and their controlled entities. None of the Changshu Entities is required to obtain the approval of, or report to, the Suzhou Finance Bureau or Suzhou SASAC for its investment activities. Neither Jiangsu Mixed Ownership Reform Fund nor Suzhou High-end Equipment Fund exerts any influence over the investment decisions taken by the Changshu Entities, given such decisions are made by the Changshu Entities with the approval of and/or filing with Changshu SASAC, without any need to seek the approval of or make filing with any upper governmental bodies. The aforementioned relationship of supervision of Changshu by Suzhou and the People's Government of Jiangsu Province shall not be considered as indirect approval or administrative management relationship. According to the Enterprise State-owned Assets Law of the PRC (《中華人民共和國企業國有資產法》), state-owned assets belong to the State (i.e., such assets are owned by the entire people within the PRC). The State Council and local governments act, respectively, as investors on behalf of the State, exercising their respective rights and fulfilling their respective responsibilities in these state-invested enterprises at their respective levels. Furthermore, in accordance with the Measures for Guidance and Supervision on Local State-owned Assets Supervisory and Administrative Work (《地方國有資產監管工作指導監督辦法》) (the "**Local State-Owned Assets Measures**"), it is a principle that the State Council and local governments are to independently fulfill their investor responsibilities. Superior state-owned assets supervision and administrative bodies must respect and protect the rights of the investors of subordinate state-owned assets supervision and administrative bodies, and accordingly, these superior state-owned assets supervision and administrative bodies should not supplant or interfere with the execution of investor duties by their subordinate bodies. For example, Changshu SASAC, being the county-level state-owned assets management bureau, is only supervised (監督指導) but is neither controlled by Suzhou SASAC nor by Jiangsu SASAC or the People's Government of Jiangsu Province. According to the Local State-Owned Assets Measures, the primary methods of carrying out supervision (監督指導) by superior SASAC include, among others, issuing normative documents, strengthening research and guidance, formulating work plans to address prominent issues, and conducting inspections to monitor the implementation of state-owned assets supervision laws and regulations. As such, Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment Fund are not close associates of the Changshu Entities, for the purpose of the Existing Shareholder Conditions.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 10.04 of, and the consent under paragraph 5(2) of Appendix F1 to, the Listing Rules for permitting Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment Fund to participate in the Global Offering as cornerstone investors on the following grounds and conditions:

- *Shareholding and independence of Suchuang Energy Investment and Nanjing Konggang* — Pursuant to Chapter 4.15 of the Guide for New Listing Applicants, one of the Existing Shareholders Conditions for the Stock Exchange to grant a consent to allow the subscription of Offer Shares by an existing shareholder or its close associate is that such relevant existing shareholder has less than 5% voting rights in the listing applicant before the offering. Suchuang Energy Investment and Nanjing Konggang are interested in a total of approximately 2.49% of the Company's voting rights immediately prior to the Global Offering, which is less than 5% of the Company's voting rights prior to the Listing. In addition, Suchuang Energy Investment and Nanjing Konggang are not core connected persons of the Company or its close associate;

- *Limited influence of Suchuang Energy Investment and Nanjing Konggang* — Suchuang Energy Investment and Nanjing Konggang, together holding approximately 2.49% of the equity interests of the Company immediately prior to the Global Offering, (a) are only minority financial investors of the Company (i.e. the Company operates independently from Suchuang Energy Investment, Suzhou Finance Bureau, Nanjing Konggang and Nanjing Jiangning Management Committee, and none of Suchuang Energy Investment, Suzhou Finance Bureau, Nanjing Konggang and Nanjing Jiangning Management Committee has any direct influence over the day-to-day operations, management, and key personnel appointment of the Company); (b) do not have any power to appoint Directors or any other special rights in the Company which may influence the allocation process; and (c) do not have access to material non-public information in respect of the Company or the Global Offering. Accordingly, Suchuang Energy Investment and Nanjing Konggang have no influence over the allocation process of the Global Offering;

- *No other preferential treatment will be given under the Proposed Placing* — No preferential treatment has been, or will be, given to Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment Fund by virtue of the relationship of Suchuang Energy Investment and Nanjing Konggang with the Company other than the preferential treatment of assured entitlement under cornerstone investments; the cornerstone investment agreements to be entered into with Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment Fund, respectively, will not contain any material term which is more favourable to Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment Fund than those in other cornerstone investment agreements;

- *Compliance with the minimum public float requirement* — The Company and the Joint Sponsors note the public float requirements under Rules 8.08(1) and 8.08(3) of the Listing Rules, and the allocation to Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment Fund in the Global Offering will not affect the Company's ability to satisfy the public float requirement as prescribed by the Stock Exchange under the waiver from strict compliance with the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules applied for and granted;

- *Confirmations from the Joint Sponsors* — The Joint Sponsors confirm that, to the best of their knowledge and belief, they have no reason to believe that either Jiangsu Mixed Ownership Reform Fund or Suzhou High-end Equipment Fund received any preferential treatment in the initial public offering allocation as a cornerstone investor by virtue of the relationship of Suchuang Energy Investment and Nanjing Konggang with the Company other than the preferential treatment of assured entitlement to Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment Fund under their Proposed Cornerstone Investments, and further confirm that details of the allocation will be disclosed in the prospectus and the allotment results announcement to be published in connection with the Global Offering; and

- *Sufficient disclosure will be made by the Company* — The details of the Proposed Cornerstone Investments by Suzhou High-end Equipment Fund and Jiangsu Mixed Ownership Reform Fund, including the identity and background information of Suzhou High-end Equipment Fund and Jiangsu Mixed Ownership Reform Fund, and the material terms of their cornerstone investments, are disclosed in this Prospectus. Results of allocation of Offer Shares to Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment Fund will also be disclosed in the Company's allotment results announcement to be published in connection with the Global Offering.

**II. Subscription of Offer Shares by Southeast Investment Holding as Cornerstone Investor**

Paragraph 17 of Chapter 4.15 of the Guide for New Listing Applicants also provides that the Stock Exchange will consider granting a consent and/or waiver to allow an existing shareholder and/or its close associates and a cornerstone investor to subscribe or purchase further securities in the IPO without fulfilment of Existing Shareholder Conditions subject to the disclosure of details of the allocation in the listing document and/or the allotment results announcement, and the following:

(i) the offer (excluding any over-allocation) has a total value of at least HK$1 billion;

(ii) securities allocated to all existing shareholders and their close associates (whether as cornerstone investors and/or as placees) as permitted under this exemption do not exceed 30% of the total number of securities offered; and

(iii) each director, chief executive, controlling shareholder and, in the case of PRC issuers, supervisor of the applicant must have confirmed that no securities have been allocated to them or their respective close associates under this exemption. (together, the "**Size-based Exemption Conditions**")

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rule 10.04 and consent under Paragraph 5(2) of Appendix F1 to the Listing Rules and paragraph 17 of Chapter 4.15 of the Guide for New Listing Applicants for allocation of securities to Southeast Investment Holding, our existing Shareholder, on the conditions that:

(i) the total value of the offer (excluding any over-allocation) will be HK$1.005 billion, which exceeds HK$1 billion as required by paragraph 17(i) of Chapter 4.15 of the Guide for New Listing Applicants;

(ii) the allocation to Southeast Investment Holding as permitted under this exemption represents 30.00% of the total number of H Shares to be issued pursuant to the Global Offering (based on the Offer Price of HK$8.27 and assuming the Over-allotment Option is not exercised), which is in compliance with paragraph 17(ii) of Chapter 4.15 of the Guide for New Listing Applicants;

(iii) each Director, Supervisor, chief executive and controlling shareholder of the Company has confirmed that no securities in the Global Offering have been allocated to them or their respective close associates under this exemption as required by paragraph 17(iii) of Chapter 4.15 of the Guide for New Listing Applicants;

(iv) the allocation of H Shares to the Southeast Investment Holding will not affect the Company's ability to satisfy the public float requirement as prescribed by the Stock Exchange under the waiver from strict compliance with the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules applied for and granted separately; and

(v) a full disclosure of details of H Shares to be allocated to Southeast Investment Holding is made in this Prospectus and will be made in the allotment results announcement of the Company.

## WAIVER IN RELATION TO PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) of the Listing Rules requires that there must be an open market in the securities for which listing is sought, and that a sufficient public float of an issuer's listed securities shall be maintained. Generally, at least 25% of the issuer's total issued share capital must at all times be held by the public. Pursuant to Rule 8.08(1)(d) of the Listing Rules, the

Stock Exchange may, subject to certain conditions and at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK$10 billion.

Based on the Offer Price HK$8.27 per H Share and assuming no exercise of the Over-allotment Option, we will achieve a minimum market capitalization of at least HK$20.7 billion upon Listing and we have applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange has confirmed that it will exercise, its discretion under Rule 8.08(1)(d) of the Listing Rules, pursuant to which the public float of the Company may fall below 25% of the issued share capital of the Company, to allow the minimum percentage of the Company's issued share capital to be held by the public to be the higher of (i) 21.16% of the total issued share capital of the Company (assuming the conversion of Unlisted Shares into H Shares is completed and the Over-allotment Option is not exercised); or (ii) such percentage of Shares to be held by the public H Shareholders upon completion of the Global Offering and the last exercise of the Over-allotment Option.

In order to support the application of this waiver, we have confirmed to the Stock Exchange that:

(a) we have an expected market capitalization at the time of Listing of over HK$10 billion;

(b) there will be an open market in the H Shares offered, and the quantity and extent of their distribution would enable the market to operate properly with a lower percentage of public float;

(c) we will (i) make appropriate disclosure of the lower prescribed percentage of public float in the Prospectus and the announcement of allotment results and (ii) announce the percentage of shares held by the public immediately after the completion of the Global Offering (before any exercise of the Over-allotment Option) and upon any exercise of the Over-allotment Option such that the public will be informed of the minimum public float requirement applicable to the Company;

(d) we will confirm sufficiency of public float in its successive annual reports after the Listing;

(e) we will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum 21.16% public float (or a higher percentage upon completion of the last exercise of the Over-allotment Option) after the Listing; and

(f) in the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, our Directors will take appropriate steps, which may include a further issue of H Shares to Independent Third Parties, to ensure the minimum percentage of public float prescribed by the Stock Exchange will be complied with.

## DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts, the omission of which would make this Prospectus or any statement in this Prospectus misleading.

## CSRC FILING

We have filed the required documents with the CSRC, and the CSRC has issued the filing notice dated February 19, 2025 on the completion of the PRC filing procedures for the conversion of certain Unlisted Shares into H Shares and the listing of the H Shares on the Hong Kong Stock Exchange. The notice of filing only confirms the filing information of our Company's overseas offering and listing, and does not represent that the CSRC makes any substantial judgment or guarantee about the investment value of our Company's securities or the proceeds of investors, nor does it indicate that the CSRC makes any guarantee or affirmation about the authenticity, accuracy and completeness of this Prospectus.

## UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this Prospectus contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 12,152,400 H Shares and the International Offering of initially 109,371,300 H Shares (subject, in each case, to reallocation on the basis described in "Structure of the Global Offering").

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is underwritten by the Hong Kong Underwriters on a conditional basis, with one of the conditions being that the Offer Price is agreed between the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and us. The International Offering is managed by the Joint Representatives and is underwritten by the International Underwriters. The International Underwriting Agreement is expected to be entered into on or about April 10, 2025. See "Underwriting" for details about the Underwriters and the underwriting arrangements.

## RESTRICTIONS ON OFFER AND SALE OF SHARES

No action has been taken to permit a Hong Kong Public Offering of the Offer Shares or the general distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his or her acquisition of Hong Kong Offer Shares to confirm, that he or she is aware of the restrictions on offers and sales of the Offer Shares described in this Prospectus. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this Prospectus, and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Global Offering to give any information, or to make any representation not contained in this Prospectus, and any information or representation not contained in this Prospectus must not be relied upon as having been authorized by the Company, the Joint Sponsors, the Joint Representatives, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of their respective directors, officers, employees, agents, affiliates or advisers or any other persons or parties involved in the Global Offering. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares".

## APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our H Shares to be converted from the Unlisted Shares, and our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the Over-allotment Option). Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Monday, April 14, 2025. No part of our H Shares is listed on or dealt in on any other stock exchange, and no such listing or permission to list is being or proposed to be sought in the near future.

The H Shares will be traded in board lot of 300 H Shares. The stock code of the H Shares is 3677.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotments made in respect of any applications will be invalid if the listing of, and permission to deal in, the Offer Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by the Hong Kong Stock Exchange.

## COMPLIANCE WITH LISTING RULES

We will comply with applicable laws and regulations in Hong Kong (including the Listing Rules) and any other undertakings which have been given in favor of the Hong Kong Stock Exchange from time to time. If the Listing Committee finds that there has been a breach by us of the Listing Rules or such other undertakings which may have been given by us in favor of the Hong Kong Stock Exchange from time to time, the Listing Committee may instigate cancellation or disciplinary proceedings in accordance with the Listing Rules.

## H SHARE REGISTER AND STAMP DUTY

All H Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Company's H Share register of members to be maintained by our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Our principal register of members will be maintained by us at our headquarters in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to Hong Kong stamp duty. Hong Kong stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares transferred. In other words, a total of 0.2% will be payable on a typical sale and purchase transaction of the H Shares. In addition, a fixed stamp duty of HK$5.00 is currently payable on each instrument of transfer of H Shares.

## REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed our H Share Registrar, and our H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until such holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holders:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Overseas Listing Trial Measures and our Articles of Association;

- agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive;

- agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

- authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not associates of any of our Directors, Supervisors or existing Shareholder or a nominee of any of the foregoing.

## DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of the H Shares will be paid to the Shareholders as recorded on the H Share register of members of our Company in Hong Kong and sent by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

According to the Shenzhen Subsidiary of the CSDCC Guide to the Program for "Full Circulation" of H Shares (中國證券登記結算有限責任公司深圳分公司 《H股"全流通"業務指南》) promulgated by the Shenzhen Subsidiary of the CSDCC on September 20, 2024, cash dividends to domestic investors of H-share "full circulation" shall be distributed through Shenzhen Subsidiary of the CSDCC. An H-share listed company shall transfer RMB cash dividends to the designated bank account of the Shenzhen subsidiary of CSDCC, who shall complete the clearing of cash dividends and distribute the cash dividends to investors through domestic securities companies.

## H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our H Shares on the Hong Kong Stock Exchange or any other date as HKSCC chooses. Settlement of any transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. All necessary arrangements have been made for our H Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisers for details of the settlement arrangements as such arrangements may affect their rights and interests.

## PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in our H Shares or exercising rights attached to them. None of the Company, the Underwriters, the Joint Sponsors, the Joint Representatives, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of their respective directors, supervisors, officers, employees, agents or advisers or any other persons involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, or dealing in, our H Share.

## OVER-ALLOTMENT AND STABILIZATION

In connection with the Global Offering, the Stabilizing Manager (on behalf of the International Underwriters) or any persons acting for it may over-allot shares or effect any other transactions with a view to prevent a decline in the market price of our H Shares for a limited period after the issue date. However, there is no obligation on the Stabilizing Manager or any person acting for it to do this. Such stabilization action, if taken, may be discontinued at any time and is required to end after a limited period. In Hong Kong and certain other jurisdictions, activities aimed at reducing the market price are prohibited, and the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Company intends to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters) for up to 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Company may be required to issue and allot at the Offer Price up to an aggregate of 18,228,300 additional H Shares, representing approximately 15.0% of the total number of H Shares initially available for subscription under the Global Offering, in connection with over-allocations in the Global Offering, if any.

See "Structure of the Global Offering" further details with respect to stabilization and the Over-allotment Option.

## INFORMATION ON THE CONVERSION OF UNLISTED SHARES INTO H SHARES

Our Company has applied for conversion of Unlisted Shares into H Shares, which involves 1,317,849,039 Unlisted Shares held by the existing Shareholders. See "History, Reorganization and Corporate Structure" and "Share Capital" for details of our existing Shareholders and their respective interests in our Company and relevant procedures for the conversion of Unlisted Shares into H Shares. Such H Shares to be converted from Unlisted Shares are restricted from trading for a period of one year after the Listing.

The relevant filing procedure in relation to the conversion of Unlisted Shares into H Shares has been completed on February 19, 2025.

## PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in "How to Apply for Hong Kong Offer Shares".

## STRUCTURE OF THE GLOBAL OFFERING

See "Structure of the Global Offering" for details of the structure of the Global Offering, including its conditions.

## LANGUAGE

The English names of the PRC nationals, entities, departments, facilities, certificates, titles, laws, regulations and the like are translations of their Chinese names and are included herein for identification purposes only. If there is any inconsistency, the Chinese name prevail.

## ROUNDING

Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments, or have been rounded to one decimal place. Any discrepancies in any tables or charts between the total shown and the sums of the amounts listed are due to rounding.

## MARKET SHARE DATA

The statistical and market share information contained in this Prospectus has been derived from official government publications, market data providers and other independent third-party sources. Unless otherwise indicated, the information has not been verified by us independently. This statistical information may not be consistent with other statistical information from other sources within or outside the PRC. While reasonable caution has been made in the process of reproducing the data and statistics extracted from such official government publications or other sources, the Joint Sponsors and our Company, or any of their directors, employees, agents, and representatives make no representation to the appropriateness, accuracy, completeness or reliability of any such statistical and market share information.

## CURRENCY TRANSLATIONS

Solely for your convenience, this Prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars at specified rates.

Unless otherwise specified, the translation of Renminbi into Hong Kong dollars, of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars, and vice versa, in this Prospectus was made at the following rates:

(i) RMB0.9229 to HK$1

(ii) RMB7.1754 to US$1

(iii) HK$7.7752 to US$1

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

## DIRECTORS

| Name | Address | Nationality |
|---|---|---|
| **Executive Directors** | | |
| Ms. Cao Fang (曹芳) | Room 1313, Building No. 4<br>Zhengli Jiayuan<br>No. 112 Xin'anjiang Road<br>Dongnan Community<br>Changshu, Jiangsu Province<br>PRC | Chinese |
| Dr. Chen Jicheng (陳繼程) | Room 1213, Building No. 4<br>Zhengli Jiayuan<br>No. 112 Xin'anjiang Road<br>Dongnan Community<br>Changshu, Jiangsu Province<br>PRC | Chinese |
| Dr. Yu Zhexun (于哲勛) | Room 1601, Unit 1, Building No. 21<br>Lvcheng Mingyue Lanting<br>No. 5 Miaogang Road<br>Changshu, Jiangsu Province<br>PRC | Chinese |
| **Non-executive Director** | | |
| Mr. Zhang Li (張力) | Room 903, Building No. 6<br>Lane 199 Zixia Road<br>Huangpu District<br>Shanghai<br>PRC | Chinese |
| **Independent Non-executive Directors** | | |
| Dr. Xu Zhiming (許志明) | 4A, Building No. 14<br>Coastline Villa<br>Discovery Bay<br>Hong Kong | Chinese<br>(Hong Kong) |

| Name | Address | Nationality |
|---|---|---|
| Dr. Gong Zhengliang (龔正良) | 7-503, Wuyuan East Sanli<br>Jinshan Community<br>Huli District<br>Xiamen, Fujian Province<br>PRC | Chinese |
| Dr. Xiao Min (肖珉) | Room 404, Wuyuan West Sanli<br>No. 14<br>Heshan Community<br>Huli District<br>Xiamen, Fujian Province<br>PRC | Chinese |

**SUPERVISORS**

| Name | Address | Nationality |
|---|---|---|
| Mr. Yu Yang (于洋) | Room 302, Building 4<br>Zhengli Jiayuan<br>Yinfeng Road, Dongnan Community<br>Changshu, Jiangsu Province<br>PRC | Chinese |
| Mr. Hong Ping (洪平) | Room 402, Building No. 27<br>Block 2, Jin Shan Yuan<br>No. 20 Xiangxie Road<br>Qinchuan Community<br>Changshu, Jiangsu Province<br>PRC | Chinese |
| Mr. Jiang Dongfeng (姜東峰) | 6-2-101, Zhongxin New District West Zone<br>Courtyard 1, Luhua Road<br>Daxing District, Beijing<br>PRC | Chinese |

See "Directors, Supervisors and Senior Management" for further details of our Directors and Supervisors.

## PARTIES INVOLVED IN THE GLOBAL OFFERING

| | |
|---|---|
| **Joint Sponsors, Joint Representatives and Sponsor-Overall Coordinators** | **China International Capital Corporation Hong Kong Securities Limited**<br>29/F, One International Finance Centre<br>1 Harbour View Street<br>Central<br>Hong Kong |
| | **CMB International Capital Limited**<br>45/F, Champion Tower<br>3 Garden Road<br>Central<br>Hong Kong |
| **Overall Coordinators** | **China International Capital Corporation Hong Kong Securities Limited**<br>29/F, One International Finance Centre<br>1 Harbour View Street<br>Central<br>Hong Kong |
| | **CMB International Capital Limited**<br>45/F, Champion Tower<br>3 Garden Road<br>Central<br>Hong Kong |
| | **CCB International Capital Limited**<br>12/F, CCB Tower<br>3 Connaught Road Central<br>Central<br>Hong Kong |
| | **China Industrial Securities International Capital Limited**<br>32/F, Infinitus Plaza<br>199 Des Voeux Road Central<br>Sheung Wan<br>Hong Kong |

| | |
|---|---|
| **Joint Global Coordinators** | **China International Capital Corporation Hong Kong Securities Limited**<br>29/F, One International Finance Centre<br>1 Harbour View Street<br>Central<br>Hong Kong |
| | **CMB International Capital Limited**<br>45/F, Champion Tower<br>3 Garden Road<br>Central<br>Hong Kong |
| | **CCB International Capital Limited**<br>12/F, CCB Tower<br>3 Connaught Road Central<br>Central<br>Hong Kong |
| | **China Industrial Securities International Capital Limited**<br>32/F, Infinitus Plaza<br>199 Des Voeux Road Central<br>Sheung Wan<br>Hong Kong |
| | **Huafu International Securities Limited**<br>Units 2603-04, 26/F, Infinitus Plaza<br>199 Des Voeux Road Central<br>Hong Kong |
| | **ICBC International Securities Limited**<br>37/F ICBC Tower<br>3 Garden Road<br>Central<br>Hong Kong |
| | **CEB International Capital Corporation Limited**<br>34/F-35/F, Everbright Centre<br>108 Gloucester Road<br>Wan Chai<br>Hong Kong |

| | |
|---|---|
| **Joint Bookrunners** | **China International Capital Corporation Hong Kong Securities Limited**<br>29/F, One International Finance Centre<br>1 Harbour View Street<br>Central<br>Hong Kong |
| | **CMB International Capital Limited**<br>45/F, Champion Tower<br>3 Garden Road<br>Central<br>Hong Kong |
| | **CCB International Capital Limited**<br>12/F, CCB Tower<br>3 Connaught Road Central<br>Central<br>Hong Kong |
| | **China Industrial Securities International Capital Limited**<br>32/F, Infinitus Plaza<br>199 Des Voeux Road Central<br>Sheung Wan<br>Hong Kong |
| | **Huafu International Securities Limited**<br>Units 2603-04, 26/F, Infinitus Plaza<br>199 Des Voeux Road Central<br>Hong Kong |
| | **ICBC International Securities Limited**<br>37/F ICBC Tower<br>3 Garden Road<br>Central<br>Hong Kong |
| | **CEB International Capital Corporation Limited**<br>34/F-35/F, Everbright Centre<br>108 Gloucester Road<br>Wan Chai<br>Hong Kong |

**BOCI Asia Limited**
26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

**ABCI Capital Limited**
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

**Patrons Securities Limited**
Unit 3214, 32/F., Cosco Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

**Joint Lead Managers**

**China International Capital Corporation Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

**CMB International Capital Limited**
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

**CCB International Capital Limited**
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

**China Industrial Securities International Capital Limited**
32/F, Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan
Hong Kong

**Huafu International Securities Limited**
Units 2603-04, 26/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

**ICBC International Securities Limited**
37/F ICBC Tower
3 Garden Road
Central
Hong Kong

**CEB International Capital Corporation Limited**
34/F-35/F, Everbright Centre
108 Gloucester Road
Wan Chai
Hong Kong

**BOCI Asia Limited**
26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

**ABCI Securities Company Limited**
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

**Patrons Securities Limited**
Unit 3214, 32/F., Cosco Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

**Futu Securities International (Hong Kong) Limited**
34/F, United Centre
No. 95 Queensway
Admiralty
Hong Kong

**Tiger Brokers (HK) Global Limited**
1/F No. 308 Des Voeux Road Central
Sheung Wan
Hong Kong

**Livermore Holdings Limited**
Unit 1214A, 12/F, Tower II
Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

**Capital Market Intermediaries**

**China International Capital Corporation Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

**CMB International Capital Limited**
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

**CCB International Capital Limited**
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

**China Industrial Securities International Capital Limited**
32/F, Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan
Hong Kong

**Huafu International Securities Limited**
Units 2603-04, 26/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

**ICBC International Securities Limited**
37/F ICBC Tower
3 Garden Road
Central
Hong Kong

**CEB International Capital Corporation Limited**
34/F-35/F, Everbright Centre
108 Gloucester Road
Wan Chai
Hong Kong

**BOCI Asia Limited**
26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

**ABCI Capital Limited**
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

**ABCI Securities Company Limited**
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

**Patrons Securities Limited**
Unit 3214, 32/F., Cosco Tower
183 Queen's Road Central
Sheung Wan
Hong Kong

**Futu Securities International (Hong Kong) Limited**
34/F, United Centre
No. 95 Queensway
Admiralty
Hong Kong

**Tiger Brokers (HK) Global Limited**
1/F No. 308 Des Voeux Road Central
Sheung Wan
Hong Kong

**Livermore Holdings Limited**
Unit 1214A, 12/F, Tower II
Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

**Legal advisers to our Company**

*As to Hong Kong and United States laws:*

**Davis Polk & Wardwell**
10/F, The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

*As to PRC laws:*

**Fangda Partners**
24/F, HKRI Centre Two
HKRI Taikoo Hui
288 Shi Men Yi Road
Shanghai 200041
PRC

*As to PRC intellectual property laws:*

**Guangdong Scihead Law Firm**
Room 08-12, 30F
CTF Finance Centre
6 Zhujiang Road East
Guangzhou 510623
PRC

| | |
|---|---|
| **Legal advisers to the Joint Sponsors and the Underwriters** | *As to Hong Kong and United States laws:*<br><br>**Cooley HK**<br>35/F, Two Exchange Square<br>8 Connaught Place<br>Central<br>Hong Kong<br><br>*As to PRC laws:*<br><br>**Jingtian & Gongcheng**<br>34/F, Tower 3,<br>China Central Place<br>77 Jianguo Road<br>Beijing<br>PRC |
| **Auditor and Reporting Accountants** | **Ernst & Young**<br>*Certified Public Accountants and*<br>*Registered Public Interest Entity Auditor*<br>27/F, One Taikoo Place<br>979 King's Road<br>Quarry Bay<br>Hong Kong |
| **Industry Consultant** | **Frost & Sullivan (Beijing) Inc.,**<br>**Shanghai Branch Co.**<br>2504 Wheelock Square<br>1717 Nanjing West Road<br>Shanghai 200040<br>PRC |
| **Compliance Adviser** | **Maxa Capital Limited**<br>Unit 2602<br>26/F, Golden Centre<br>188 Des Voeux Road Central<br>Sheung Wan<br>Hong Kong |
| **Receiving Bank** | **China Construction Bank (Asia)**<br>**Corporation Limited**<br>26th Floor, China Construction Bank Tower<br>3 Connaught Road Central<br>Central<br>Hong Kong |

| | |
|---|---|
| **Registered Office, Headquarter and Principal Place of Business in the PRC** | No. 68 Xin'anjiang Road<br>Dongnan Community<br>Changshu<br>Jiangsu Province<br>PRC |
| **Principal Place of Business in Hong Kong** | 46/F, Hopewell Centre<br>183 Queen's Road East<br>Wanchai<br>Hong Kong |
| **Company's Website** | **www.zenergy.cn**<br>*(The information contained on this website does not form part of this Prospectus)* |
| **Joint Company Secretaries** | **Ms. Xu Jing (徐婧)**<br>No. 68 Xin'anjiang Road<br>Dongnan Community<br>Changshu<br>Jiangsu Province<br>PRC<br><br>**Ms. Ho Wing Nga (何詠雅)**<br>*FCG (CS, CGP), HKFCG (CS, CGP) (PE)*<br>46/F, Hopewell Centre<br>183 Queen's Road East<br>Wanchai<br>Hong Kong |
| **Authorized Representatives** | **Ms. Cao Fang (曹芳)**<br>No. 68 Xin'anjiang Road<br>Dongnan Community<br>Changshu<br>Jiangsu Province<br>PRC<br><br>**Ms. Ho Wing Nga (何詠雅)**<br>46/F, Hopewell Centre<br>183 Queen's Road East<br>Wanchai<br>Hong Kong |
| **Audit Committee** | Dr. Gong Zhengliang (龔正良) *(Chairperson)*<br>Dr. Xiao Min (肖珸)<br>Mr. Zhang Li (張力) |

| | |
|---|---|
| **Remuneration and Evaluation Committee** | Dr. Xu Zhiming (許志明) *(Chairperson)*<br>Ms. Cao Fang (曹芳)<br>Dr. Chen Jicheng (陳繼程)<br>Dr. Gong Zhengliang (龔正良)<br>Dr. Xiao Min (肖珉) |
| **Nomination Committee** | Ms. Cao Fang (曹芳) *(Chairperson)*<br>Dr. Chen Jicheng (陳繼程)<br>Dr. Xu Zhiming (許志明)<br>Dr. Gong Zhengliang (龔正良)<br>Dr. Xiao Min (肖珉) |
| **H Share Registrar** | **Computershare Hong Kong Investor Services Limited**<br>Shops 1712-1716<br>17th Floor<br>Hopewell Centre<br>183 Queen's Road East<br>Wanchai, Hong Kong |
| **Principal Banks** | **Changshu Sub-branch of Industrial Bank Co., Ltd.**<br>Units 109 & 201 Yiyuan Century Plaza<br>No. 19, Haiyu North Road<br>Changshu, Jiangsu<br>PRC |
| | **Southeast Development Zone Sub-branch of China Construction Bank Corporation**<br>Room 104, Building 5, Southeast Yunzhi Business Center<br>No. 10 Wuqu Road<br>Dongnan Community<br>Changshu, Jiangsu<br>PRC |

*The information and statistics set out in this section and other sections of this Prospectus were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Sponsors, Joint Representatives, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.*

## OVERVIEW OF POWER BATTERY MARKET

### Definition and Classification of Power Battery

Power battery refers to rechargeable power storage systems used in EVs, electric ships, electric aircraft, and other transportation vehicles to provide driving energy. As categorized by their different power sources, EVs primarily include BEVs, PHEVs (including EREVs), HEVs and fuel cell electric vehicles ("**FCEVs**"). Because currently FCEVs have not been widely promoted, and their sales volume remains relatively nominal at the moment, statistics on EVs in this "Industry Overview" section excludes FCEVs.

EV battery is one of the most critical and indispensable part of the EV, being the power source of the entire vehicle and directly affecting EV performance, including driving range, safety, service life, charging time and adaptability of temperature, among other performance indicators. EV batteries adopt several prevailing electrochemistries such as Lithium-Ion, sodium-ion and nickel-metal hydride, with Lithium-Ion battery being the dominant type of power batteries due to its high energy density, low discharge rate and long cycle life. Meanwhile, other types of EV batteries also enjoy certain advantages. Compared with Lithium-Ion battery, sodium-ion battery has the advantages of sufficient supply of raw materials, and better safety and performance in low-temperature environment. However, the current commercial development of sodium-ion batteries is still faced with technical issues such as low energy density. Nickel-metal hydride EV battery, as an environment-friendly and efficient alternative, has lower energy density than Lithium-Ion battery and is primarily used in HEVs at the moment.

By cathode materials, Lithium-Ion power batteries primarily include ternary batteries and Lithium Iron Phosphate (LFP) batteries. Some new types of Lithium-Ion batteries are also under development, such as Lithium Manganese Iron Phosphate (LMFP) battery. The primary type of ternary batteries in China, namely NCM batteries, could be further divided into NCM811, NCM523, and NCM613, with the numbers representing the mixing ratio among nickel, cobalt and manganese.

The following table compares the key performance metrics of Lithium-Ion power batteries mentioned above.

| | NCM | | | | |
|---|---|---|---|---|---|
| | NCM811 | NCM613 | NCM523 | LFP | LMFP |
| Cathode Material . . . . | $LiNi_{0.8}Co_{0.1}Mn_{0.1}O_2$ | $LiNi_{0.6}Co_{0.1}Mn_{0.3}O_2$ | $LiNi_{0.5}Co_{0.2}Mn_{0.3}O_2$ | $LiFePO_4$ | $LiMn_xFe_{1-x}PO_4$ |
| Energy Density (Wh/kg) . . . . | 225-300 | 210-270 | 200-250 | 160-200 | 180-220 |
| Cycle Life (times) . . . . . | 1,500-2,000 | 1,500-2,000 | 1,500-2,000 | 2,000-4,000 | 2,000-3,000 |
| Safety . . . . . . | Low | Good | Good | High | High |
| Cost . . . . . . . | High | Good | Good | Low | Low |

In terms of physical forms of electrolytes, batteries can be divided into liquid batteries, mixed solid-liquid batteries (semi-solid-state batteries), and solid-state batteries. Liquid batteries are the dominant battery type, and primarily adopt organic liquid electrolytes that have good contact with the electrodes and can provide excellent conductivity. While the preparation technology for liquid batteries is well developed, the flammable and volatile nature of liquid electrolytes brings safety hazards to the battery system. Solid-state electrolytes, on the other hand, are inherently non-flammable, with high thermal decomposition temperatures, thus avoiding the issues of electrolyte corrosion, volatilization, and leakage, greatly improving safety. However, solid-state battery technology is still under preliminary development, and has yet to resolve the hurdles of high cost, short cycle life, and poor power performance. As a transitional product before solid-state batteries and related technologies mature and commercialize, semi-solid-state batteries emerge as a viable alternative for the time being, sharing the same electrochemical principles as liquid batteries and can essentially adopt existing well-developed battery manufacturing infrastructure, making it easy to manufacture compared to solid-state batteries. Compared to traditional liquid state batteries, semi-solid-state batteries enjoy advantages of higher safety. A small number of EV models have already chosen semi-solid-state batteries.

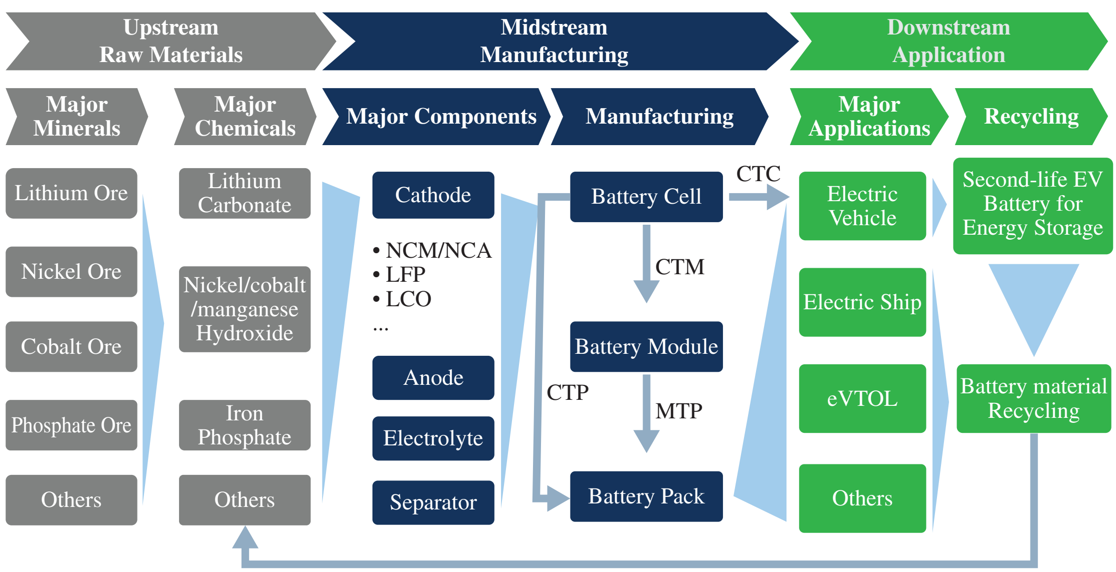
**Overview of Power Battery Value Chain**

The power battery value chain primarily includes (i) mining and processing of minerals; (ii) cell components manufacturing; (iii) battery cell, battery module and battery pack manufacturing; (iv) battery end-users; and (v) battery recycling.

Power batteries are usually loaded in the form of battery packs. Prevailing cell integration methods include CTMTP (cell-to-module-to-pack), CTP (cell-to-pack), and CTC (cell-to-chassis). The traditional CTMTP mode combines battery cells into battery modules, and then combines the battery modules into the battery pack. The CTP mode skips the standardized module process and directly integrates battery cells into battery packs. Compared to CTMTP, CTP improves volume utilization and energy density of the pack and reduces manufacturing costs, but requires higher consistency of battery cells, higher repair costs and a more advanced Battery Management System (BMS). Additionally, the maintenance costs of CTP battery packs tend to be much higher in the event of battery problems compared to CTMTP battery packs. CTC integrates the battery cells directly into the vehicle chassis, further reducing manufacturing costs and enhancing battery structural efficiency. Similarly, CTC maintenance costs also tends to be much higher in the event of battery problems, and it does not allow convenient disassembly or swapping.

The following diagram sets forth the main value chains in the power battery industry, as well as major types and applications for power batteries.

**Industry Value Chain of Power Battery (Lithium-Ion power battery for illustrative)**




*Source: Frost & Sullivan*

## Overview of EV Power Battery Market

### *Overview of EV Market*

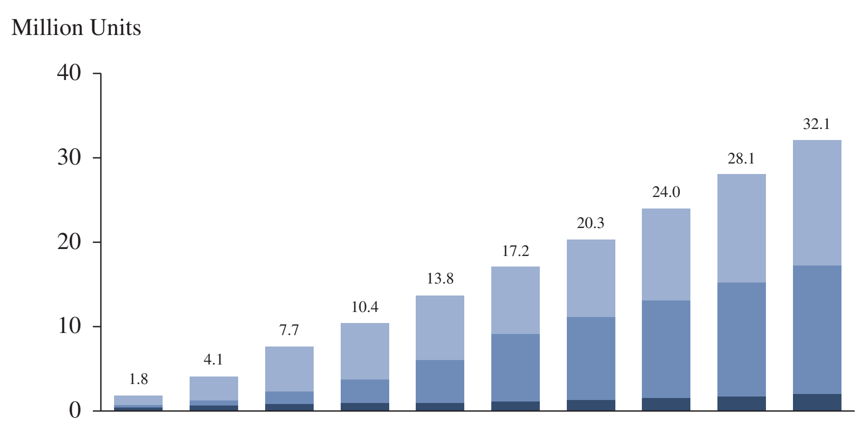
EVs use electric motors powered by power battery instead of solely by internal combustion engines (ICE) to propel the vehicles. EVs primarily include BEV (battery electric vehicle), PHEV (plug-in hybrid electric vehicle), EREV (extended range electric vehicle), and HEV (hybrid electric vehicle), with other types of EVs (such as fuel cell electric vehicle) accounting for only a nominal market share. The number of EREVs is included in the statistics for PHEVs in this "Industry Overview" section.

Global EV sales volume increased from 5.5 million units in 2020 to 26.5 million units in 2024, representing a CAGR of 48.3%, and is expected to further increase to 70.2 million by 2029, representing a CAGR of 21.5%. Such growth is primarily driven by technological progress and innovation in the EV industry, further improvement in industry value chain, favorable policies, as well as the ongoing transition from fossil fuel energy to renewable energy. In particular, PHEV sales volume grew from 1.0 million units in 2020 to 6.8 million units in 2024, representing a CAGR of 62.4%, higher than any other type of EVs, and is expected to further grow to 18.6 million units in 2029, representing a CAGR of 22.1%.

China is the world's largest EV market as measured by 2024 sales volume. The growth of China's EV market is primarily driven by favorable policies, continuous advancements in EV technologies, and ongoing improvements in charging infrastructure. From 2020 to 2024, EV sales volume in China grew from 1.8 million units to 13.8 million units, representing a CAGR of 66.9%, and is expected to further grow to 32.1 million units by 2029, representing a CAGR of 18.4%. PHEVs, in particular, have witnessed faster growth in recent years compared to BEVs due to their longer driving ranges and flexible charging options. PHEV sales volume in China increased from 0.3 million units in 2020 to 5.1 million units in 2024, representing a CAGR of 112.7%, and is expected to further grow to 15.2 million units by 2029, representing a CAGR of 24.1%, higher than the forecasted growth CAGR for BEVs and will surpass BEVs in sales volume in 2025. HEVs are also playing increasingly important roles in the transformation away from ICE vehicles. The sales volume of HEVs in China increased from 0.4 million units in 2020 to 0.9 million units in 2024, representing a CAGR of 22.7%. HEVs are expected to maintain rapid growth in the future, reaching a sales volume of 2.0 million units by 2029, representing a CAGR of 15.8% from 2024 to 2029.

The following chart sets forth a breakdown of the actual and forecasted EV sales volume by vehicle types in China during the years indicated.

**Sales Volume of EVs (by vehicle types), China, 2020-2029E**



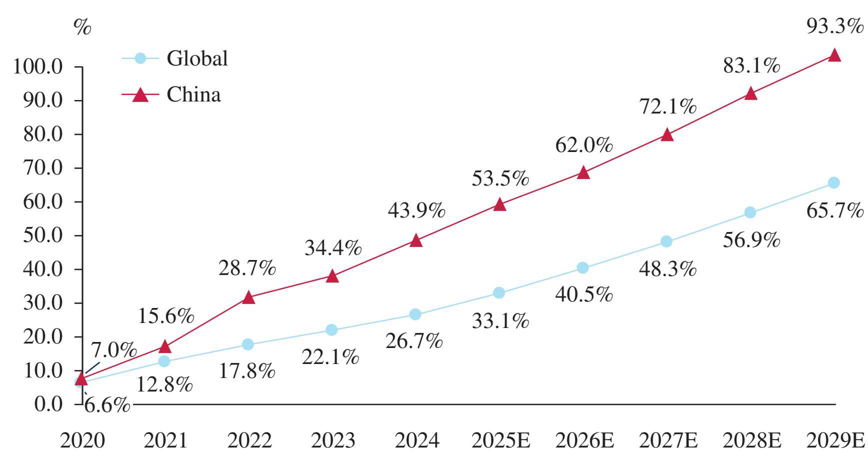

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025E | 2026E | 2027E | 2028E | 2029E | CAGR (20-24) | CAGR (24-29E) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BEV | 1.1 | 2.9 | 5.34 | 6.7 | 7.7 | 8.0 | 9.2 | 10.9 | 12.9 | 14.9 | 62.2% | 14.1% |
| PHEV | 0.3 | 0.6 | 1.5 | 2.8 | 5.1 | 8.0 | 9.8 | 11.6 | 13.5 | 15.2 | 112.7% | 24.1% |
| HEV | 0.4 | 0.6 | 0.8 | 0.9 | 0.9 | 1.1 | 1.3 | 1.5 | 1.7 | 2.0 | 22.7% | 15.8% |
| **Total** | **1.8** | **4.1** | **7.7** | **10.4** | **13.8** | **17.2** | **20.3** | **24.0** | **28.1** | **32.1** | **66.9%** | **18.4%** |

*Source: China Association of Automobile Manufacturers, Frost & Sullivan*

The global EV penetration rate (as measured by the percentage of EV sales volume over total automobile sales volume) increased from 6.6% in 2020 to 26.7% in 2024, and is expected to reach 65.7% in 2029. China is a global leader in EV development: EV penetration rate in China grew from 7.0% in 2020 to 43.9% in 2024, and is expected to further grow to 93.3% in 2029,.

The following chart sets forth the EV penetration rates globally and in China during the years indicated.

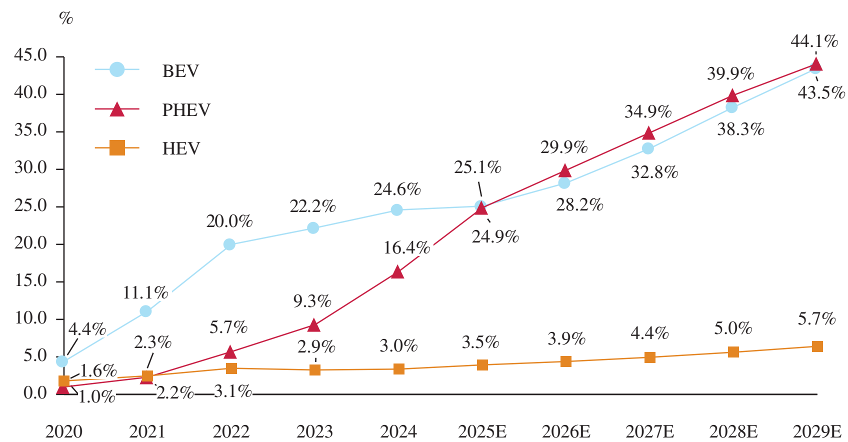
**Penetration Rate of Electric Vehicle, Global and China, 2020-2029E**




*Source: China Association of Automobile Manufacturers, Frost & Sullivan*

Market penetrations for different EV types also differ significantly. The penetration rate of BEVs in China's overall EV market has grown steadily in recent years and is expected to maintain this steady growth trajectory. Meanwhile, PHEVs are experiencing rapid growth and are becoming increasingly important in China's overall EV market. Driven mainly by their superior driving range and competitive pricing, PHEVs are gaining market share and popularity. It is anticipated that the penetration rate of PHEVs will exceed that of BEVs by 2026. Such forecast is based on several comparative factors between PHEVs and BEVs (taking standard models of Song Plus and Yuan Plus as examples, which are PHEV and BEV models from BYD, respectively, and two of the best-selling models in China in 2023 with mostly equivalent specifications), including (i) driving range; Song Plus offers a driving range of approximately 1,250 km with a full tank of fuel and a fully charged battery, which is greater than the CLTC driving range of Yuan Plus at 430 km. This extended range makes PHEVs more appealing to consumers concerned about driving range; (ii) battery performance; Song Plus utilizes a smaller battery with a capacity of 18.3 kWh, compared to Yuan Plus, which requires a larger capacity of 49.9 kWh. This results in lower battery production costs and less dependency on charging infrastructure for PHEVs. According to data from the China Association of Automobile Manufacturers, in 2024 the cumulative sales volume of PHEVs reached approximately 5.1 million units, reflecting a year-over-year growth of 83.3%. In comparison, the sales volume of BEVs was approximately 7.7 million units, with a significantly lower year-over-year growth rate of 15.5%, indicating a trend of PHEVs gaining ground over BEVs, according to Frost & Sullivan. The following chart sets forth a breakdown of penetration rate of different types of EVs in China during the years indicated.

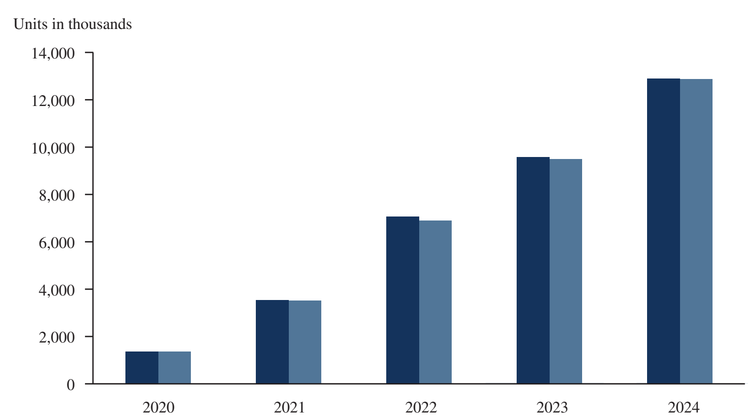
**Penetration Rate of Electric Vehicle (by vehicle types), China, 2020-2029E**




*Source: China Association of Automobile Manufacturers, Frost & Sullivan*

The amount of supply and demand of EVs in China were relatively balanced. Demand for EVs in China has been primarily met by EVs manufactured in China. The following chart sets forth the amount of EV demand and supply in China during the years indicated.

**EV Sales and Supply Volume, China, 2020-2024**




| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| EV production volume | 1,366 | 3,545 | 7,058 | 9,587 | 12,888 |
| EV sales volume | 1,367 | 3,521 | 6,887 | 9,495 | 12,866 |

*Source: China Association of Automobile Manufacturers. Numbers include BEVs, PHEVs and FCEVs, and exclude HEVs.*

***Overview of EV Power Battery Market***

The following table sets forth a comparison of power batteries integrated in different types of EVs.

**Comparison of Power Batteries in Different EVs**

| | BEV Power Battery | PHEV Power Battery | HEV Power Battery |
|---|---|---|---|
| Characteristic | BEVs are generally equipped with high-capacity Lithium-Ion batteries, including ternary Lithium-Ion batteries and LFP Lithium-Ion batteries. High battery energy density is typically required to meet longer range driving needs | PHEVs are generally equipped with Lithium-Ion batteries whose total battery capacity and energy density are usually lower than BEV power batteries | HEVs are generally equipped with nickel hydrogen batteries or small capacity Lithium-Ion batteries, and the battery capacity and energy density are relatively low, while the power is relatively high. The overall structure is simple, with low maintenance costs |
| Battery Capacity (kWh) | 50-150 | 10-50 | 1-2 |
| Pure Electric Range (km) | 300-1,000 | 50-200 | <10 |

*Source: Frost & Sullivan*

The following table sets forth a comparison among the two battery shapes (prismatic and cylindrical battery shapes), as well as pouch cell battery shape which is being developed for our aviation battery products. Each of these shapes have been adopted by major OEMs globally.

| | Prismatic | Cylindrical | Pouch |
|---|---|---|---|
| Market share (in terms of installation capacity) | 77%-80% | 14%-17% | 5%-6% |
| Energy density | 170-190 Wh/kg | 160-170 Wh/kg | 170-195 Wh/kg |
| Safety | Medium | High | Low |
| Ease of customization | Medium | Medium | Easy |
| Cost-effectiveness | Medium cost | Medium cost | High cost |
| Cycle life | **≥ 2,000 cycles** | **≥ 1,200 cycles** | **≥ 1,500 cycles** |

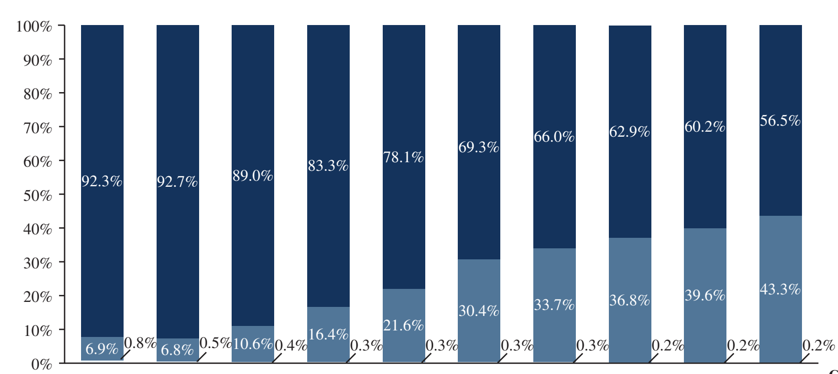
Global EV battery market is experiencing rapid development, primarily driven by the growth in BEV and PHEV markets. The global installation capacity of EV battery systems increased from 141.5 GWh in 2020 to 900.2 GWh in 2024, representing a CAGR of 58.8%, and is expected to further grow to 3,564.5 GWh in 2029, representing a CAGR of 31.7%. The rapid growth and increasing market penetration of PHEV and the continuous improvement performance by PHEV batteries have driven the installation capacity of PHEV battery to grow from 17.5 GWh in 2020 to 156.0 GWh in 2024, representing a CAGR of 72.9%, and is expected to further grow to 981.2 GWh in 2029, representing a CAGR of 44.5%.

The installation capacity of EV batteries in China has also experienced rapid growth driven by continuous expansion of the EV market in China. Installation capacity of EV batteries in China increased from 64.2 GWh in 2020 to 549.9 GWh in 2024, representing a CAGR of 71.1%, and is expected to further grow to 1,961.4 GWh in 2029, representing a CAGR of 29.0%. Consistent with the global EV battery market, PHEV batteries represent the fastest historical and forecasted growth among different EV types. The installation capacity of PHEV batteries in China grew from 4.5 GWh in 2020 to 118.7 GWh in 2024, representing a CAGR of 127.2%, and is expected to further grow to 848.6 GWh in 2029, representing a CAGR of 48.2%. PHEV fulfils daily short-distance travel needs with pure electricity power, and long-distance driving with gasoline power, meeting consumer needs for a pure electric driving experience but without less mileage anxiety. In addition to PHEV's ability to meet consumer needs, regulatory policies also drive the growth of PHEVs in China, as vehicle OEMs face increasing pressure to reduce fuel consumption. The technological innovations of PHEV have accelerated the replacement of fuel vehicles. OEMs are also promoting PHEV to load more battery capacity to meet consumer needs.

Installation capacity is a measure of the amount of demand for EV batteries. OEMs are typically the party with the demand for power batteries which they install into their vehicles. Installation capacity represents the amount of battery capacity (as measured by Wh) that was installed in EVs. Installation capacity is a more meaningful measure for EV batteries than "unit of vehicle" (which is used to measure the supply/demand volume of EVs), because the amount of battery capacity for different types of vehicles may vary significantly. For example, each unit of BEV typically requires a larger amount of battery capacity in Wh compared to each unit of PHEV. Therefore, the term "installation capacity" in Wh, rather than unit of EVs, is commonly used to reflect the demand for EV batteries, as it accounts for the actual battery capacity installed in vehicles.

The following chart sets forth a breakdown of battery installation capacity by power types during the years indicated.

**Installation Capacity of EV Battery (by power type), China, 2020-2029E**




| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025E | 2026E | 2027E | 2028E | 2029E | CAGR (20-24) | CAGR (24-29E) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| BEV (GWh) | 59.2 | 143.9 | 263.3 | 324.0 | 429.7 | 480.0 | 577.8 | 713.0 | 902.9 | 1,108.8 | 64.1% | 20.9% |
| PHEV (GWh) | 4.5 | 10.6 | 31.3 | 63.8 | 118.7 | 210.3 | 294.9 | 417.0 | 594.7 | 848.6 | 127.2% | 48.2% |
| HEV (GWh) | 0.5 | 0.8 | 1.1 | 1.3 | 1.5 | 1.9 | 2.3 | 2.7 | 3.4 | 4.1 | 30.3% | 22.4% |
| **Total** | **64.2** | **155.3** | **295.8** | **389.0** | **549.9** | **692.2** | **875.0** | **1,132.7** | **1,501.0** | **1,961.4** | **71.1%** | **29.0%** |

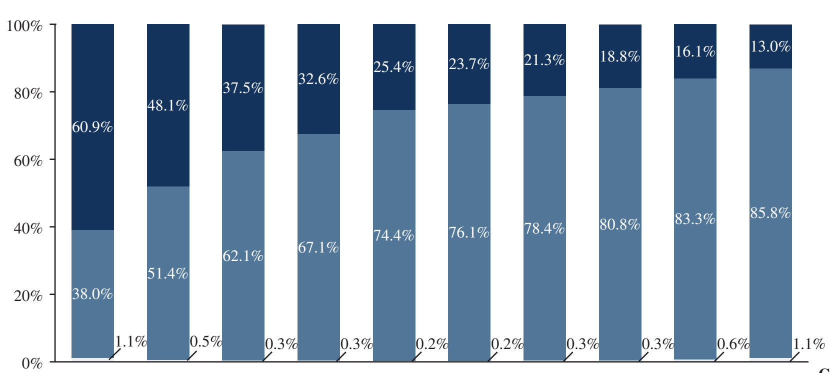
*Source: CABIA, Frost & Sullivan*

With the advantage of lower costs and the narrowing gap in driving range from ternary batteries, LFP batteries are experiencing an increase in demand in recent years. In China, the installation capacity of ternary batteries increased from 39.1GWh in 2020 to 139.8 GWh in 2024, representing a CAGR of 37.5%, and is expected to reach 255.7 GWh in 2029, representing a CAGR of 12.8% from 2024 to 2029. LFP batteries has experienced and is expected to continue to experience faster growth in China. The installation capacity of LFP battery surpassed ternary batteries in 2021, growing from 24.4 GWh in 2020 to 408.9 GWh in 2024, representing a CAGR of 102.4%, and is expected to further grow to 1,683.3 GWh in 2029, representing a CAGR of 32.7%. The proportion of LFP batteries in the total installation capacity in China increased from 38.0% in 2020 to 74.4% in 2024, and it is expected to reach 85.8% in 2029.

Both BEVs and PHEVs can use NCM and LFP batteries. In practice, however, most PHEVs use LFP batteries. This is because range anxiety is a less significant factor for PHEVs compared to BEVs, and cost considerations often lead to the preference for LFP in PHEVs. LFP batteries, on the other hand, due to their cost advantages, are widely used in both BEVs and PHEVs. Some BEV models offer both LFP and NCM variants to cater to different consumer needs. The recent growth in LFP adoption has been driven primarily by cost considerations, while the growth in PHEVs has been driven by consumer need and policy reasons. The growth drivers for LFP batteries and PHEVs are therefore distinct and reflective of different market dynamics.

The following chart sets forth a breakdown of installation capacity by battery types in China during the years indicated.

**Installation Capacity of EV Battery (by battery type), China, 2020-2029E**




| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025E | 2026E | 2027E | 2028E | 2029E | CAGR (20-24) | CAGR (24-29E) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NCM (GWh) | 39.1 | 74.7 | 111.0 | 126.7 | 139.8 | 163.9 | 186.6 | 213.5 | 242.4 | 255.7 | 37.5% | 12.8% |
| LFP (GWh) | 24.4 | 79.8 | 183.8 | 261.2 | 408.9 | 526.7 | 686.1 | 915.3 | 1,250.0 | 1,683.3 | 102.4% | 32.7% |
| Others (GWh) | 0.7 | 0.7 | 1.0 | 1.1 | 1.2 | 1.6 | 2.2 | 3.9 | 8.6 | 22.4 | 14.2% | 80.2% |
| **Total** | **64.2** | **155.3** | **295.8** | **389.0** | **549.9** | **692.2** | **875.0** | **1,132.7** | **1,501.0** | **1,961.4** | **71.1%** | **29.0%** |

*Source: CABIA, Frost & Sullivan*

*Note:* Others include sodium-ion battery, nickel-metal hydride battery, LCO battery, LMO battery, etc.

***Overview of Supply in the EV Power Battery Market***

In 2024, China's EV power battery production capacity reached 826 GWh and is projected to grow to 991.2 GWh in 2025. Meanwhile, the installation capacity of EV power battery in China was 549.9 GWh in 2024 and is expected to reach 692.2 GWh in 2025. According to Frost & Sullivan, this represents a structural overcapacity issue, driven by idle low-end production capacity with outdated technologies that cannot be upgraded or adapted to the structural transitions in China's EV power battery industry. These transitions include the growing demand for higher-performance EV power batteries, the increasing dominance of LFP batteries over NCM batteries, and the higher growth of PHEVs over BEVs. On the other hand, there is still significant demand for high-quality production capacity with the flexibility to be continuously upgraded and adapted to new electrochemistries and other technological development in power batteries, according to Frost & Sullivan. According to Frost & Sullivan, top ten EV battery manufacturers accounted for 95.3% of the total EV battery installation capacity in the PRC in 2024. Low-end production capacity accounts for over half of the industry's capacity. Low-end production capacity refers to companies that have lower than 3% R&D expenses, lower than 50% production utilization rate who produce products with low energy density with outdated technologies that cannot be upgraded or adapted to the structural transitions in China's EV power battery industry. China's EV power battery industry is highly competitive and concentrated and we expect that the trend will last in the future.

As the EV and EV power battery industries rapidly grow in recent years, consumers in China are increasingly demanding EVs with longer cruising range, faster charging and discharging speed, and higher safety. In response, players in China's EV and EV power battery industries are constantly developing new EV and battery technologies to meet these new consumer demands. This calls for the expansion of production capacity equipped with advanced technologies as well as the enhanced flexibility to adjust to future technological advancements and new electrochemistries. For example, several key battery R&D initiatives, such as large cylindrical batteries, fast-charging batteries, semi-solid and solid-state batteries, are driving power battery manufacturers to expand more technologically advanced production capacity to replace outdated, inflexible and technologically obsolete capacity in order to strike the optimal balance among technology development, cost and battery performance.

In terms of battery materials, LFP batteries have become the market mainstream, enjoying significant growth potential; whereas NCM battery development is largely confined to the high-end luxury EV market. The market opportunities for ordinary NCM power batteries is very limited, which leads to significant risks of overcapacity for production capacity that were specifically designed for NCM batteries and lack the flexibility to manufacture other types of batteries. In terms of power types, PHEV batteries are experiencing a significantly higher growth rate compared to BEV batteries, resulting in an increasing share of PHEV batteries in the EV power battery market in the next few years. Due to the different performance requirements and production processes for PHEV and BEV batteries, the expansion of PHEV batteries necessitates the establishment of new and specialized production lines and may lead to phaseout of some existing production lines.

In terms of industry regulations and policies, the Ministry of Industry and Information Technology released the latest "Lithium-ion Battery Industry Specification (2024 Edition)" (《鋰離子電池行業規範條件(2024年本)》, the "**Specifications**") in June 2024. According to Frost & Sullivan, technologically outdated and inflexible production capacity, especially those built before 2020, would find it extremely difficult to meet the provisions in the Specifications, especially the unit energy consumption requirements in the Specifications. The implementation of the Specifications and other new industry standard signifies the beginning of elimination of battery production capacity that do not meet certain thresholds on technology, energy consumption, and production capacity utilization. According to Frost & Sullivan, the supply and demand in China's power battery market is expected to return balance in the near future.

**Overview of Power Batteries in Non-EV Applications**

***Electric Ship Power Battery***

An electric ship utilizes power batteries to partially or fully substitute fossil fuels for power generation. In comparison to traditional fuel-powered vessels, electric ships generate lower noise, and brings higher comfort, environmental friendliness, and control flexibility.

The installation capacity of electric ship power battery in China increased from approximately 0.2 GWh in 2020 to 2.0 GWh in 2024, representing a CAGR of 72.4%. The demand for electric ship power batteries is rapidly growing, primarily driven by (i) the acceleration of investments and R&D in the electrification of shipbuilding and shipping industry; (ii) the continuous evolution of power battery technologies; (iii) governments policy incentives for the electric ship industry chain; and (iv) needs by large vessels, such as container ships, to have additional backup batteries to be stored at docks for battery swapping. The installation capacity of electric ship power battery in China is expected to grow to 104.7 GWh in 2029, representing a CAGR of 121.2% from 2024 to 2029.

***Electric Aircraft Power Battery***

Electric aircraft is an aircraft powered by electricity. Improvements in electric propulsion technology, battery technology, and lightweight materials are driving the development of more efficient and powerful electric aircraft. The commercialization of electric aircraft for urban air mobility (UAM), mainly including eVTOL (electric vertical take-off and landing) and light electric fixed-wing aircraft, is becoming increasingly feasible.

Currently, eVTOL is the most active area of electric aircraft and it is an aircraft designed to carry human passengers or cargo. It is capable of vertical take-off and landing like a helicopter, eliminating the need for a runway. Unlike traditional airplanes and helicopters which are primarily power by fossil fuels, eVTOLs are powered by electricity.

From 2024 to the end of 2029, a series of models of the world's major eVTOL manufacturers are expected to pass various tests and obtain production permits. Companies such as Joby Aviation, Archer Aviation and EHang have already secured leading development positions. In the eVTOL industry, high safety, lightweight, and high power density are among the most critical features expected of power batteries. Because eVTOLs have yet to achieve mass production, eVTOL batteries are still before the mass production stage, and has much higher unit price compared to EV batteries.

As a representative of new quality productive forces, eVTOL is increasingly becoming the primary driver of robust growth in the low-altitude economy. Their unique capability for vertical takeoff and landing, combined with a substantial range, is transforming urban air mobility and short-distance transportation, heralding a new era in aerial transportation. Recognizing its strategic importance, the Chinese government has identified the eVTOL sector as a key emerging industry and is actively nurturing its development. Comprehensive policies have been implemented across multiple domains, including technical R&D, industry support, and market access, to create a conducive environment for the rapid growth of China's eVTOL industry. Additionally, measures such as financial assistance, tax incentives, and talent cultivation are in place to support the expansion of both the Chinese and global eVTOL industries. In March 2024, the Ministry of Industry and Information Technology, the Ministry of Science and Technology, the Ministry of Finance, and the Civil Aviation Administration of China issued the "General Aviation Equipment Innovation Application Implementation Plan (2024-2030)," which proposes to promote the development of a trillion-yuan low-altitude economy market by 2030. Against this backdrop, eVTOLs are expected to be utilized in tourist destinations, urban areas, suburbs, and other regions by 2025.

**Overview of Sodium-ion Battery**

Sodium-ion batteries, due to their low material costs, excellent electrochemical performance and high safety, can serve as a significant complement to the lithium battery industry, with potential applications in electric vehicles, consumer electronics, small power two-wheelers and energy storage. The primary difference between sodium-ion and lithium-ion batteries lies in the charge carrier within the battery, with sodium ions replacing lithium ions, moving between the positive and negative electrodes to enable charging and discharging.

Currently, the sodium-ion battery technology with commercial potential is generally categorized into three types based on the cathode material: layered metal oxides, polyanionic materials, and Prussian blue analogs. However, due to the limitations in relative cost and technological maturity, sodium-ion batteries have not yet achieved large-scale commercial application.

China is the leading market for the research and application of sodium-ion batteries. In 2024, the aggregate installation capacity of ternary lithium battery, LFP battery, and other types of batteries (such as sodium-ion batteries) was 139.8 GWh, 408.9 GWh, and 1.2 GWh, respectively. Key players that have already achieved commercial production and application of sodium-ion batteries for EVs include CATL, Farasis Energy and HiNa Battery according to publications of CABIA. The primary applications of sodium-ion batteries currently include electric vehicles, low-speed vehicles and energy storage.

## EV BATTERY PRODUCTION

### Investment and Construction Period of EV Battery Manufacturing Line

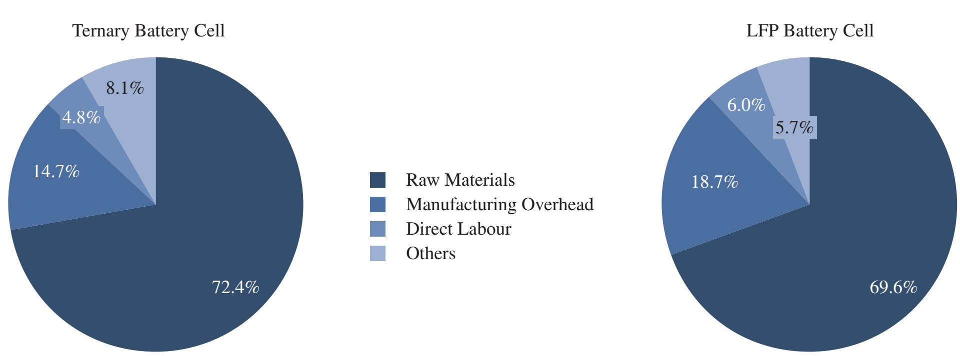
EV battery production capabilities require significant capital investment in facility construction, equipment purchase and installation, working capital, and other expenses. The investment per GWh of Lithium-Ion power battery equipment is approximately RMB200.0 million. The construction cycle of a Lithium-Ion power battery manufacturing line (from factory approval to plant construction and equipment commissioning), typically takes one to two years. Furthermore, the growth drivers in the battery industry have evolved from policy and capital investment to market demand over the past few years. At the inception of the EV battery industry, decisions to establish and expand EV battery manufacturing capabilities by EV battery manufacturers were primarily driven by policy. Industry growth was later also driven by investment from automobile OEMs who sought to ensure their own EV battery supply through contracting dedicated battery manufacturing lines of or establishing joint ventures with battery manufacturers.

To ensure stable battery supply and enhance battery R&D efficiency, OEMs have gradually begun various forms of cooperation with power battery companies, such as joint ventures with and equity investment in power battery companies to build power battery factories, as well as independent investment in construction and purchasing of dedicated manufacturing lines from power battery companies. Deep cooperation between OEMs and power battery companies can enhance battery supply stability and efficiency. Considering the intense competition and evolving technologies in the EV and power battery industries, it is crucial for power battery companies to maintain product and manufacturing line compatibility and develop diversified technical capabilities.

### Production Cost of Lithium-ion Power Battery and Price of Raw Materials

The following charts set forth the cost breakdowns of battery cell manufacturing in China in 2024.

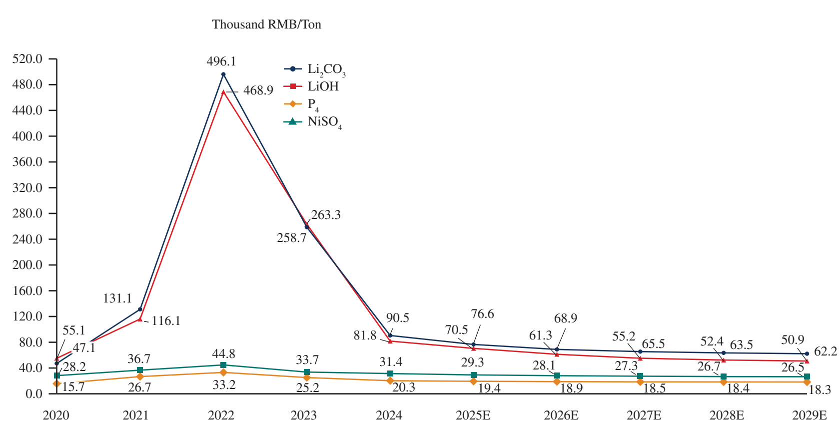
**Cost Breakdown of Battery Cell, China, 2024**




*Source: Frost & Sullivan*

Raw material prices experienced an overall upward trend from 2020 to 2022, followed by a significant decline in 2023 as the supply and demand relationships gradually stabilized. The prices of key lithium sources in lithium power batteries, such as lithium carbonate ($Li_2CO_3$) and lithium hydroxide (LiOH), as well as the phosphorus source yellow phosphorus ($P_4$) in lithium iron phosphate batteries and the nickel source nickel sulfate ($NiSO_4$) in NCM batteries, decreased from their 2022 peaks of RMB496.1 thousand per ton, RMB468.9 thousand per ton, RMB33.2 thousand per ton, and RMB44.8 thousand per ton to RMB90.5 thousand per ton, RMB81.8 thousand per ton, RMB20.3 thousand per ton, and RMB31.4 thousand per ton respectively in 2024. These prices are expected to continue to decrease, reaching RMB62.2 thousand per ton, RMB50.9 thousand per ton, RMB18.3 thousand per ton, and RMB26.5 thousand per ton, respectively, by 2029. The following chart sets forth the average price of major types of raw materials in China during the years indicated. With the decrease in the price of raw materials, the proportion of raw material costs in the overall production cost is expected to decrease from around 80% in 2024 to approximately 65%-70% in 2029.

**Average Price of Major Raw Materials, China, 2020-2029E**




*Source: Frost & Sullivan*

The rapid increase in raw material prices, in particular the lithium carbonate prices, which peaked in 2022 was primarily driven by the growing demand from the new energy vehicle industry and tight domestic lithium supply. However, from 2022 to 2024, the raw material prices experienced significant decrease primarily due to several factors: (i) global supply of key materials, such as lithium and nickel, significantly increased, with lithium supply growing by around 30% and nickel sulfate by 20% in 2023, leading to more abundant market supply; (ii) rising inventory levels due to increased supply and lowered demand, with major lithium producers reaching historical highs by mid-2023, further drove down the raw material prices; and (iii) advancements in lithium extraction technology, including mature methods such as sulfuric acid roasting and ongoing improvements through membrane, adsorption, and electrodialysis technologies, are expected to further reduce costs. After 2024, the market began to stabilize mainly due to several factors: the rebalancing of lithium carbonate supply-demand and cost-driven market adjustments triggered by low-cost salt lake expansions in South America and African lithium projects. Therefore, the prices of the raw materials which peaked in 2022 and decreased significantly from 2022 to 2024 are expected to decrease and stabilize from August 2024 and going forward.

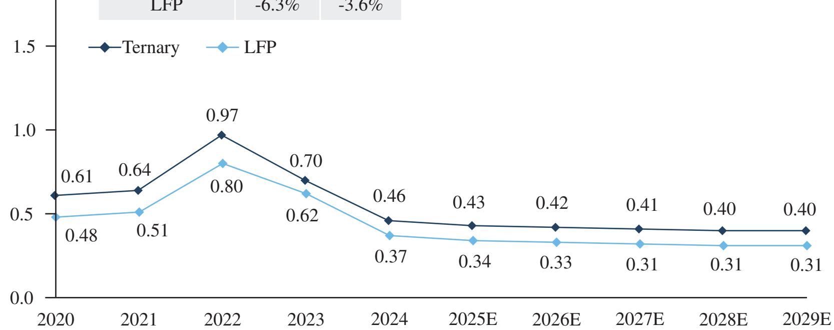
**Price of Lithium Power Battery**

The pricing of lithium power batteries is usually based on cost markup, and is mostly affected by the cost of raw materials. Specifically, the three prevailing pricing practices include (i) linking battery prices with prices of main raw materials; (ii) determining a battery price and adjusting based on the changes of in lithium carbonate prices at the end of the year; and (iii) predetermining a fixed price for the next year. The prices of NCM and LFP batteries generally experienced an upward trend from 2020 to 2022, and subsequently declined to RMB0.46/Wh and RMB0.37/Wh in 2024, respectively. The future prices of NCM and LFP batteries are expected to continue to slowly decline to RMB0.40/Wh and RMB0.31/Wh in 2029, respectively, as relevant raw material prices are also expected to decline. Battery-grade lithium carbonate is the core raw material for manufacturing power Lithium-Ion batteries, and its price fluctuations significantly impact the overall cost of power batteries. Influenced by the market supply and demand environment, the increasing supply of lithium carbonate has gradually led to more rational pricing. On the other hand, production costs are gradually decreasing, primarily driven by production automation and economy of scale. Many companies have proactively reduced the prices of ternary and lithium iron phosphate batteries to maintain market competitiveness.

The following chart sets forth the average price of ternary and LFP power battery cells in China during the years indicated.

**Average Price Analysis of Ternary and LFP Power Battery Cell, China, 2020-2029E**

| | CAGR (20-24) | CAGR (24-29E) |
|---|---|---|
| Ternary | -6.9% | -2.8% |
| LFP | -6.3% | -3.6% |




*Source: Frost & Sullivan*

## DRIVERS OF POWER BATTERY MARKET IN CHINA

### Accelerating Transportation Electrification Process

Under the "net-zero" targets by most countries worldwide, transportation electrification emerges as a pivotal strategy. At the forefront of this movement, the development of EV is recognized as the primary catalyst as well as the most important driving force. The global EV industry is expected to undergo rapid growth in sales volume, advancements in intelligence technologies, improvements in charging infrastructure, and coordinated development of different EV types, especially PHEV, which in turn are expected to drive the expansion of the global EV market. This, in turn, has driven the rapid growth of the EV battery industry. Furthermore, the utilization of power batteries in more land, sea and air application scenarios (including electric aircraft and ships in addition to EVs), is expanding, further stimulating the power battery market.

### Technological Advancement

The EV battery technologies continue to advance, with ongoing innovations in areas such as cathode materials, packaging methods, electrolytes, manufacturing processes, and techniques. This not only improves the energy density, performance, and safety of the batteries but also continuously optimizes the cost structure of battery products, further accelerating their broader application. For example, new materials are continuously applied, and formulations are adjusted to improve cathode and anode materials for higher energy density: the uniformity of coated electrode materials is enhanced to improve safety, and composite copper foil is used to reduce the weight and cost of metal materials.

### Favorable Government Policies

The EV industry has received continuous policy support, especially in China. In 2019, the policy focus was on optimizing subsidy technical indicators, lowering subsidies, improving the settlement system, strengthening quality supervision, and promoting industry competition. This encouraged companies to enhance their technological capabilities, reduce costs, improve product quality and competitiveness, and make the market more dynamic. In 2020, the State Council issued the "New Energy Vehicle Industry Development Plan (2021-2035)" (《新能源汽車產業發展規劃(2021-2035年)》), setting goals for new energy vehicle sales, technology, and other targets by 2025. The plan emphasized breakthroughs in key technologies and encouraged cross-industry integration. This helped NEV and battery companies clarify their development directions, accelerate technological research and development, and promote coordinated industry growth. From 2021 to 2022, various regions actively implemented the plan, strengthening the construction of infrastructure such as charging stations, encouraging the application of battery swap models, and increasing the proportion of new energy vehicles in public sectors. These efforts improved the usage environment for new energy vehicles, enhanced user convenience and stimulated consumption. Starting 2023, central government and many local governments in China have implemented policies supporting EVs, such as consumer vouchers for new EV purchases, exemption from vehicle purchase taxes, and exemptions from traffic restrictions. For example, in May 2024, the State Council issued the "2024-2025 Energy Conservation and Carbon Reduction Action Plan," (《2024-2025年節能降碳行動方案》), which proposed gradually lifting purchase restrictions on NEVs across various regions, implementing supportive policies to facilitate NEV usage, promoting the electrification of public sector vehicles, steadily advancing the adoption of new energy medium- and heavy-duty trucks, and developing zero-emission freight fleets. In June 2024, the Ministry of Finance issued the "Notice on Allocating the 2024 Central Financial Pre-allocated Budget for Vehicle Trade-in Subsidies" (《關於下達2024年汽車以舊換新補貼中央財政預撥資金預算的通知》), which allocates subsidy and incentive funds to provinces, regions, and municipalities for the pre-allocation of central financial subsidies for vehicle trade-ins in 2024. The total annual budget for the 2024 vehicle trade-in subsidies amounts to nearly RMB11.2 billion. These supportive policies are expected to remain one of the main driving forces for the development of China's EV industry, which in turn will drive the growth of the EV battery market.

As advised by Frost & Sullivan, the termination of national EV subsidies at the beginning of 2023 led to a temporary year-over-year decline in EV sales in January 2023. However, in February 2023, EV sales rebounded and experienced year-over-year growth. The price of lithium carbonate has experienced a downward trend since November 2022, primarily due to an increase on the supply side rather than a weakening of demand. As such, the temporary slowdown in sales in January 2023 as mentioned above did not have a significant impact on lithium carbonate prices.

### Continuous Cost Reduction for EV Batteries

The prices of key raw materials for power batteries have significantly decreased from their historical peaks. As major manufacturers expand production, economies of scale are becoming increasingly significant, leading to a significant reduction in the overall cost of power batteries. Power battery manufacturers can offer more cost-effective products, driving the continuous expansion of the application of power battery products.

## COMPETITIVE LANDSCAPE OF EV POWER BATTERY MARKET IN CHINA

EV battery market is highly concentrated in China, with top ten manufacturers accounting for 95.3% of total installation capacity in 2024. With the EV battery installation capacity of 9.9 GWh in 2024, our Group were the 9th largest player among manufacturers of EV battery in China, according to CABIA. The following table sets forth details of top EV battery manufacturers in China as measured by EV battery installation capacity in 2024.

**Ranking of EV Battery Manufacturers (by installation capacity), China, 2024**

| Rank | Company Name | Installation Capacity (GWh) | Market Share |
|---|---|---|---|
| 1 . . . . . | CATL | 246.0 | 44.7% |
| 2 . . . . . | BYD | 135.0 | 24.6% |
| 3 . . . . . | CALB | 36.5 | 6.6% |
| 4 . . . . . | Gotion | 25.0 | 4.6% |
| 5 . . . . . | EVE Battery | 18.7 | 3.4% |
| 6 . . . . . | SVOLT | 17.4 | 3.2% |
| 7 . . . . . | SUNWODA | 15.8 | 2.9% |
| 8 . . . . . | REPT | 12.1 | 2.2% |
| **9** . . . . . | **Our Group** | **9.9** | **1.8%** |
| 10 . . . . | LGES | 7.7 | 1.4% |
| | Others | 25.9 | 4.7% |
| | **Total** | **550.0** | **100.0%** |

*Source: CABIA, Frost & Sullivan*

Our overall EV battery installation capacity growth ranked fourth, our ternary lithium battery installation capacity growth ranked third, and our LFP battery installation capacity growth ranked fourth in China in 2024.

The following table sets forth the top 10 NCM battery companies by installation capacity in 2024.

**Ranking of NCM Battery Manufacturers (by installation capacity), China, 2024**

| Rank | Company Name | Installation Capacity (GWh) | Market Share | 23-24 yoy growth |
|---|---|---|---|---|
| 1 . . . . . | CATL | 94.4 | 67.9% | 20.5% |
| 2 . . . . . | CALB | 12.9 | 9.3% | -14.0% |
| 3 . . . . . | LGES | 7.7 | 5.5% | -8.2% |
| 4 . . . . . | SVOLT | 7.0 | 5.0% | 41.5% |
| 5 . . . . . | SUNWODA | 4.0 | 2.9% | -17.3% |
| 6 . . . . . | Farasis Energy | 3.3 | 2.4% | -44.9% |
| 7 . . . . . | EVE Battery | 2.6 | 1.8% | -16.0% |
| 8 . . . . . | Gotion | 2.4 | 1.7% | 99.2% |
| **9** . . . . . | **Our Group** | **1.6** | **1.2%** | **23.5%** |
| 10 . . . . | BYD | 0.2 | 0.1% | N/A* |
| | Others | 3.0 | 2.2% | |
| | **Total** | **139.0** | **100.0%** | |

*Source: CABIA, Frost & Sullivan*

**Note:* Due to the very small installed capacity of NCM power batteries by BYD in 2023, which was less than 0.1 GWh, it is not included in the year-on-year growth rate statistics.

The following table sets forth a comparison between our NCM products and products by our peers.

| | Industry Peers' Products | Our Products |
|---|---|---|
| Gravimetric energy density (Wh/kg) | 230-320 | 230-306 |
| Fast charging time (30-80% SOC) (hour) | 0.13-0.20 | 0.17-0.25 |
| Cycle life (cycles) | 1,500-3,500 | 1,000-3,000 |
| Driving range (per charge, km) | 500-1,000 | 450-1,000* |
| Main OEM customers | Large state-owned enterprises, pure-play EV companies and multi-national OEMs | Large state-owned enterprises and multi-national OEMs |
| Market segments of EV models | High-end and mid-end | High-end |

*Note:*

* As certain of our NCM products are still at testing stage, the driving range is calculated based on the driving range per charge of the vehicle models that may utilize our NCM products. You should not place undue reliance on such figures as the driving range varies from car model to car model and is largely dependent on the design of the car model.

The following table sets forth the top 10 LFP battery companies by installation capacity in 2024.

**Ranking of LFP EV Battery Manufacturers (by installation capacity), China, 2024**

| Rank | Company Name | Installation Capacity (GWh) | Market Share | 23-24 yoy growth |
|---|---|---|---|---|
| 1 | CATL | 151.6 | 37.1% | 70.8% |
| 2 | BYD | 134.8 | 33.0% | 27.9% |
| 3 | CALB | 23.6 | 5.8% | 31.8% |
| 4 | Gotion | 22.7 | 5.5% | 54.0% |
| 5 | EVE Battery | 16.1 | 3.9% | 13.6% |
| 6 | REPT | 12.1 | 3.0% | 158.8% |
| 7 | SUNWODA | 11.8 | 2.9% | 241.4% |
| 8 | SVOLT | 10.4 | 2.5% | 176.6% |
| **9** | **Our Group** | **8.2** | **2.0%** | **102.0%** |
| 10 | Jidian New Energy | 6.3 | 1.5% | N/A* |
| | Others | 11.4 | 2.8% | |
| | **Total** | **409.0** | **100.0%** | |

*Source: CABIA, Frost & Sullivan*

**Note:* Due to the very small installed capacity of LFP power batteries by Jidian New Energy in 2023, which was less than 0.2 GWh, it is not included in the year-on-year growth rate statistics.

PHEV battery market is also highly concentrated in China, with top ten manufacturers accounting for almost 100% of total installation capacity in 2024. The following table sets forth details of top PHEV battery manufacturers in China as measured by PHEV battery installation capacity in 2024.

**Ranking of PHEV Battery Manufacturers (by installation capacity), China, 2024**

| Rank | Company Name | Installation Capacity (GWh) | Market Share |
|---|---|---|---|
| 1 . . . . . | CATL | 46.9 | 39.5% |
| 2 . . . . . | BYD | 38.5 | 32.4% |
| 3 . . . . . | SVOLT | 8.8 | 7.4% |
| 4 . . . . . | CALB | 8.5 | 7.1% |
| 5 . . . . . | SUNWODA | 6.6 | 5.6% |
| 6 . . . . . | Gotion | 4.4 | 3.7% |
| **7** . . . . . | **Our Group** | **2.1** | **1.8%** |
| 8 . . . . . | REPT | 2.1 | 1.8% |
| 9 . . . . . | EVE Battery | 0.7 | 0.6% |
| 10 . . . . | Ganfeng LiEnergy | 0.1 | 0.1% |
| | Others | 0.0 | 0.0% |
| | **Total** | **118.7** | **100.0%** |

*Source: CABIA, Frost & Sullivan*

The following table sets forth a comparison between our LFP products and products by our peers.

| | Industry Peers' Products | Our Products |
|---|---|---|
| Gravimetric energy density (Wh/kg) . . . . . . . . . . . . . | 172-190 | 180-185 |
| Fast charging time (30-80% SOC) (hour). . . | 0.25-0.40 | 0.25-0.5 |
| Cycle life (cycles) . . . . . . . | 6,000 | Up to 7,000 |
| Driving range (per charge, km) . . . . . . | 500-600 | 500-699 |
| Main OEM customers . . . . | Large state-owned enterprises, and pure-play EV companies | Large state-owned enterprises, pure-play EV companies, and multi-national OEMs |
| Market segments of EV models . . . . . . . . . . . | High-end, mid-end and economy | Mid-end and economy |

## DEVELOPMENT TRENDS OF POWER BATTERY MARKET IN CHINA

### Continuous Technology Innovation and Breakthroughs on Battery Performance

In recent years, researchers and manufacturers have been pushing the boundaries of battery technology, focusing on advancements in new materials, battery design, and overall efficiency. Solid-state battery, sodium-ion battery, high-nickel cathodes, and silicon anodes are key areas of innovation within power battery industry. Furthermore, industry players are also focusing on enhancing product performance and ensuring product quality by improving product yield rate and efficiency, digitizing manufacturing lines to improve their adaptability, designing flexible manufacturing lines, and real-time optimizing manufacturing lines using artificial intelligence.

### Reducing Cost throughout the Entire Process

EV battery costs significantly impact the overall costs of EVs. As competition among OEMs intensifies and price competition becomes increasingly fierce, EV battery manufacturers face increasing pressure to be more cost efficient by continuously reducing costs throughout the entire battery production process, adopting measures to ensure a stable supply of core raw materials, control equipment costs, improve manufacturing line efficiency, and optimize product design.

### Closer Collaboration between Battery Manufacturers and OEMs

As competition in China's EV industry grows increasingly fierce, OEMs are developing and introducing more vehicle models and adopting different technological routes. This requires OEMs to collaborate with their suppliers, especially power battery manufacturers, in product R&D, optimization, and supply chain security, among other areas. Such closer collaboration can further ensure product development and production efficiency, and ensure supply stability in response to changes in demands for EVs.

### Increasing Importance of Flexible Manufacturing Capability

In light of the rapid ongoing changes in technology pathways and market structures, such as the accelerating development of PHEV and LFP batteries, battery manufacturers may encounter undercapacity at certain points in time or for specific types of batteries. It is becoming increasingly important for manufacturers to enhance their flexible manufacturing capacity, which allows them to promptly adapt to changes in market structures.

### Increasing Diversity of Business Models

Amidst the intensifying competition, battery manufacturers in China are adopting diversified business models to adapt to the ever-evolving market and enhance profitability. These strategies include forming strategic alliances with various partners (including suppliers and customers), expanding into overseas markets, offering technology licensing, and more.

### Battery Standardization

Standardizing battery production involves establishing and adhering to a set of unified technical specifications and operational procedures throughout the manufacturing process, ensuring the quality, safety, and consistency (in terms of configuration and size) of the battery products. This approach enhances production efficiency, reduces costs, and fosters the overall healthy development of the industry.

## ENTRY BARRIERS OF POWER BATTERY MARKET IN CHINA

### Technology Barrier

The EV battery industry has extremely high technical requirements, especially in terms of battery performance, safety and cost control. New entrants must possess advanced battery technology and robust R&D capabilities, as well as the financial resources to continue to invest in those technology and capabilities to remain competitive as technology in the power battery market continues to evolve.

### Capital Barrier

The R&D and production in the EV battery industry require huge capital investment. Establishing and ramping up battery manufacturing facilities, including facility construction, equipment purchases and plant operations can incur significant costs and expenses. It also consumes significant financial resources to retain a competitive R&D team and maintain solid R&D facilities and capabilities to develop new technology and products to stay competitive.

### Scale Barrier

Economies of scale are expected to become increasingly apparent in China's power battery industry. Top industry players with established scales can reduce costs and improve market competitiveness through large-scale production, while new entrants may find it hard to achieve the same.

### Brand Barrier

Brand influence and market recognition are crucial for battery companies. Established brands have spent years to build a stable and loyal customer base, which new entrants would need to build from scratch.

### Customer Barrier

Large battery companies often have long-term relationships with major customers such as automakers. It takes time for new entrants to build trust and customer relationships to capture stable orders and market share.

### Supply Chain Barrier

Battery manufacturing involves complex supply chain management, including raw material procurement, production management, and logistics distribution. Established market players have built the necessary supply chain relationships to ensure smooth operations and support potential expansions, while new players may find it difficult to secure sufficient high-quality raw materials to meet their needs.

## ESS BATTERY

Electrochemical energy storage (ESS) refers to a variety of secondary battery energy storage technologies and measures, that is, the use of chemical batteries to store electrical energy and release it when needed. ESS battery typically includes Lithium-Ion batteries, sodium sulphur batteries, flow batteries, and lead batteries, among which Lithium-Ion batteries currently hold the dominant position due to their cost effectiveness and optimal physical properties. Compared to other energy storage technologies, ESS is the most widely-used form with significant growth potential due to the short construction period, flexibility in geographic locations, gradually reducing costs and increasingly developed technology.

With the wide application of ESS batteries in power consumption, power generation, and power transmission and distribution, the global ESS battery installation capacity grew from 9.9 GWh in 2020 to 261.0 GWh in 2024, representing a CAGR of 126.9%. With the continuous advancement of global large-scale renewable power projects, global centralized ESS installation capacity has reached 163.8 GWh in 2024, and is expected to grow to 601.9 GWh in 2029, representing a CAGR of 29.7%. In addition, in order to improve the efficiency of electricity consumption under commercial and household scenarios as well as improve the stability and sustainability of urban electricity consumption, the distributed ESS installation capacity is expected to grow to 407.6 GWh in 2029, representing a CAGR of 33.2% from 2024 to 2029.

China's ESS battery market is also experiencing rapid development, growing from 2.4 GWh in 2020 to 69.6 GWh in 2024, representing a CAGR of 131.3%, and is expected to further grow to 407.9 GWh in 2029, representing a CAGR of 42.4%.

## REPORT COMMISSIONED BY FROST & SULLIVAN

In connection with the Global Offering, we have engaged Frost & Sullivan to conduct a detailed analysis and to prepare an industry report on the relevant markets. Frost & Sullivan is an independent global market research and consulting company founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries.

We have included certain information from the Frost & Sullivan Report in this Prospectus because we believe such information facilitates an understanding of the relevant markets for potential investors. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

We have agreed to pay Frost & Sullivan a fee of RMB550 thousand for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful listing or on the content of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the Global Offering.

Our Directors confirm that after taking reasonable care, there has been no adverse change in the market information since the date of the report prepared by Frost & Sullivan which may qualify, contradict or have an impact on the information set forth in this section in any material respect.

## REGULATION

Information disclosed in this section is relevant PRC laws, regulations and regulatory documents in effect which have a significant impact on our operations in the PRC as of the date of this Document (hereinafter referred to as "**PRC Laws**"), which are subject to change in the future, but it does not include a detailed analysis of PRC Laws related to our business activities and operations in the PRC, or serve as all PRC Laws applicable to our operations in the PRC.

## PRINCIPAL REGULATORY AUTHORITIES

We are mainly engaged in the design, development, production and sales of EV batteries and ESS products, and are subject to the supervision of the National Development and Reform Commission (the "**NDRC**") and the Ministry of Industry and Information Technology of the PRC (the "**MIIT**").

The main functions undertaken by the NDRC include: formulating and implementing strategies on national economic and social development; medium and long-term development plans and annual plans, coordinating economic and social development, working on the coordination and solution of major economic concerns and adjusting economic operation.

The main functions undertaken by the MIIT include: drawing up new industrialization development strategies and policies; formulating and implementing industrial planning, plans and policies, including the regulations for the industries of EV battery; monitoring and analyzing the trend of operation of industrial sector; and conducting surveys and publishing the relevant information; formulating and implementing the policies on industrial energy conservation and comprehensive utilization of resources and promotion of clean production.

## INDUSTRIAL POLICIES

### Regulations on EV & ESS and Lithium Battery Industries

According to the Guiding Catalog for Industrial Restructuring (《產業結構調整指導目錄》) promulgated by the NDRC on December 2, 2005, which was last amended on December 27, 2023, and came into effect on February 1, 2024, new lithium primary batteries (lithium iron disulfide and lithium thionyl chloride, among others); Lithium-Ion batteries, semi and solid-state lithium batteries, fuel cells, sodium-ion batteries, flow batteries, new-structure (bipolar, lead mesh horizontal, coiled, tubular, and other) sealed lead-acid batteries, lead-carbon batteries and other new batteries and super-capacitors fall into the state-encouraged industries.

According to the Guiding Catalog for Key Products and Services for Strategic Emerging Industries (《戰略性新興產業重點產品和服務指導目錄》), which was promulgated by the NDRC on January 25, 2017, and came into effect on the same day, the ESS and its management system dedicated for Lithium-Ion battery cells, modules and systems; supercapacitor cells, modules and systems; new system power batteries cells, modules and systems; hybrid energy storage power modules and systems; modular nickel-metal hydride battery ESS; battery management systems, super capacitor management systems; electromechanical coupling systems, power battery systems, high-voltage wiring harnesses and other components; packet assemblers for fuel cell system; automobile- specific final assembly equipment; and production equipment for recycling of used batteries are key products and services for strategic emerging industries.

The Outline of the 14th Five-Year Plan for Economic and Social Development and Long-Range Objectives through the Year 2035 of the People's Republic of China (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》) promulgated by the National People's Congress (the "**NPC**") on March 11, 2021 points out that China will focus on new energy, new energy vehicles, environmental protection and other emerging industries of strategic importance, and accelerate the innovation and application of core technologies in key fields to enhance the country's capacity of ensuring the supply of productive factors and foster new drivers for industrial development.

According to the Notice of the 14th Five-Year Plan for Circular Economy Development (《"十四五"循環經濟發展規劃的通知》), which was issued by the NDRC on July 1, 2021 and came into effect on the same day, in order to vigorously develop circular economy, promote resource conservation and intensive use, and build a resource recycling industrial system and recycling system of waste materials, the establishment of the traceability management platform for the EV batteries of NEVs shall be strengthened, and the traceability management system for the recycling and reuse of the EV battery of NEVs shall be improved.

According to the Guiding Opinions on Accelerating the Development of New Energy Storage (《關於加快推動新型儲能發展的指導意見》), which were jointly promulgated by the NDRC and the National Energy Administration (the "**NEA**") on July 15, 2021 and came into effect on the same day, the PRC will strive to build a clean, low-carbon, safe and efficient energy system, and seek to drive down the cost and advance the commercial-scale application of more mature new energy storage technologies such as Lithium-Ion batteries, in an effort to achieve carbon peak and carbon neutrality. By 2025, it will realize the transition from the early stage of commercialization to scale development of new energy storage. By 2030, it will realize the full market-oriented development of new energy storage, and new energy storage will become one of the key supports for carbon peak and carbon neutrality in the energy sector.

According to the New Energy Storage Development Plan During China's "14th Five-Year Plan" Period (《"十四五"新型儲能發展實施方案》) jointly promulgated by the NDRC and the NEA on January 29, 2022, by 2025, new energy storage will expand from the initial stage of commercialization to the stage of scale development and be ready for large-scale commercial application. By 2030, new energy storage will be developed on a fully market-oriented basis, and diversified technology development will be promoted, such as the optimization design and research of key core technologies, equipment and integration, such as sodium-ion batteries, new Lithium-Ion batteries, lead-carbon batteries, liquid flow batteries, compressed air, hydrogen (ammonia) energy storage and heat (cold) energy storage and so on, the intensive tackling of energy storage technologies such as superconductors and supercapacitors, and the research on a new generation of high-energy-density energy storage technologies such as liquid metal batteries, solid Lithium-Ion batteries and metal-air batteries.

According to the Guiding Opinions on Promoting the Development of the Energy Electronics Industry (《關於推動能源電子產業發展的指導意見》), which were jointly promulgated by the MIIT and other five departments on January 3, 2023, and came into effect on the same day, energy electronics industry is the generic term of electronic information technologies and products that produce energy, serve energy and apply energy, mainly including new energy storage batteries and other fields. One of the development goals set out in these Opinions is to develop safe and economical new energy storage batteries, which means tackling key problems in the industrialization of new-type energy storage batteries shall be strengthened and the large-scale application of advanced energy storage technologies and products shall be promoted.

According to the Standards for Lithium-Ion Battery Industry (2024 edition) (《鋰離子電池行業規範條件(2024年本)》) and the Measures for the Administration of Lithium-Ion Battery Industry (2024 edition) (《鋰離子電池行業規範公告管理辦法(2024年本)》), which were promulgated by the MIIT on June 18, 2024 and became effective on June 20, 2024, lithium-ion battery enterprises and projects shall comply with the requirements of laws and regulations regarding various aspects, such as the exploitation and use of resources, ecological and environmental protection, energy conservation management, safe production, and shall adhere to the requirements of the national industrial policy and relevant industrial planning and layout, as well as the requirements of the local national spatial and ecological environmental protection special planning, and shall have the necessary transportation conditions in place.

**Regulations on Battery Treatment and Recycling**

The Interim Measures for the Administration of Recycling and Use of Power Storage Batteries of NEVs (《新能源汽車動力蓄電池回收利用管理暫行辦法》), which was promulgated by the MIIT, the Ministry of Science and Technology (the "**MOST**"), the Ministry of Environmental Protection (currently known as the Ministry of Ecology and Environment), the Ministry of Transportation (the "**MOT**"), the MOFCOM, the SAMR, and the NEA on January 26, 2018 and became effective on August 1, 2018, implements the system of extended responsibility of producers, according to which the main responsibility for power storage battery recycling is borne by automobile manufacturers, and relevant enterprises shall fulfill their corresponding responsibilities in all aspects of power storage battery recycling and utilization to ensure the effective use and environmentally friendly disposal of power storage batteries. Vehicle manufacturers should establish recycling channels for EV batteries and should set up recycling service outlets. The cooperation in building and the sharing of scrapped EV battery recycling channels through various forms between vehicle manufacturers, battery manufacturers, enterprises recycling and comprehensively utilizing scrapped vehicles are encouraged. Battery manufacturers and vehicle manufacturers should hand over the scrapped power storage batteries produced during the production process to recycling service sites or comprehensive utilization enterprises.

According to the Interim Provisions on Traceability Management of Power Storage Battery Recycling for NEVs (《新能源汽車動力蓄電池回收利用溯源管理暫行規定》), which was issued by the MIIT on July 2, 2018 and became effective on August 1, 2018, the "Integrated Management Platform for National Monitoring of NEVs and Traceability of Power Storage Battery Recycling and Utilization" (新能源汽車國家監測與動力蓄電池回收利用溯源綜合管理平台) shall be established to collect information on the whole lifecycle of power storage battery production, sales, use, disposal, recycling, and utilization, and to monitor the fulfillment of the responsibility of battery recycling and utilization by the subjects of each link.

According to Requirements of the Industry Standards for the Comprehensive Utilization of Wasted Power Storage Batteries of NEVs (《新能源汽車廢舊動力電池綜合利用行業規範條件(2024年本)》) promulgated by the MIIT on December 16, 2024 and became effective on January 1, 2025, enterprises engaged in the business of echelon utilization or recycling of wasted power batteries from NEVs shall comply with relevant requirements, including but not limited to those related to corporate layout and project site selection, comprehensive utilization capabilities, product quality, environmental protection, product manufacturing and public health, social responsibility, and vocational education.

The Implementation Plan for Accelerating the Promotion of Comprehensive Utilization of Industrial Resources (《加快推動工業資源綜合利用實施方案》), which was promulgated by eight departments, including the MIIT, the NDRC and the MOST, and came into effect on 27 January 2022, proposes to improve the recycling and utilization system of waste and used power batteries and promote the safe echelon application of waste and used power batteries in areas such as power backup and charging and replacement. Build a number of demonstration projects for gradient and recycling in key regions such as the Beijing-Tianjin-Hebei Region, the Yangtze River Delta, and the Guangdong, Hong Kong and Macao Greater Bay Area. Cultivate a number of backbone enterprises for gradient and recycling, and increase the research, development and promotion of technologies such as non-destructive testing of power batteries, automated dismantling and efficient extraction of valuable metals.

On 29 April 2020, the newly amended Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) (the "**Solid Waste Law**") incorporated for the first time the extended producer responsibility system for products such as automotive power batteries into the law, making important arrangements for the construction of a system for the recycling and treatment of waste automotive power batteries from the top-level design. In order to further regulate and guide the treatment process of waste lithium-ion power batteries and implement the provisions of the Solid Waste Law, the Ministry of Ecology and Environment (the "**MEE**") promulgated on August 7, 2021 the Technical Specification of Pollution Control for Treatment of Waste Power Lithium-ion Battery (for Trial Implementation) (《廢鋰離子動力蓄電池處理污染控制技術規範(試行)》) (the "**Technical Specification**"), which took effect on January 1, 2022. The Technical Specification sets out the general requirements for the treatment of waste power lithium-ion batteries, technical requirements for pollution control in the treatment process, requirements for pollutant emission control and environmental monitoring, and requirements for operational environmental management. The Technical Specification is applicable to the pollution control of the waste power lithium-ion battery treatment process, and can be used as a technical reference basis for the environmental impact assessment, construction and operation, completion environmental protection acceptance and emission permit management of construction projects related to waste power lithium-ion battery treatment. For other types of waste lithium-ion batteries such as energy storage and consumer batteries, as well as the pollution control of lithium-ion battery production waste treatment process, please refer to the Technical Specification for implementation.

**Regulations on Carbon Peaking and Carbon Neutrality**

Pursuant to the National Standardization Development Outline (《國家標準化發展綱要》) promulgated by the Central Committee of the Communist Party of China (the "**CPC Central Committee**") and the State Council on October 10, 2021 and became effective on the same day, it calls for establishing and improving standards for peaking carbon dioxide emissions and carbon neutrality. Pursuant to the Notice of Issuing the Implementation Plan for Establishing and Improving the Measurement System for Carbon Peaking and Carbon Neutrality Standards (《關於印發建立健全碳達峰碳中和標準計量體系實施方案的通知》) (the "**Implementation Plan**") issued by the SAMR, the NDRC, the MIIT, the Ministry of Natural Resources, the MEE, the Ministry of Housing and Urban-Rural Development, the MOT, the China Meteorological Administration, and the National Forestry and Grassland Administration and became effective on October 18, 2022, it stipulates that the main goals of this Implementation Plan are that the standard measurement system for carbon peaking and carbon neutrality be basically established by 2025, the standard measurement system for carbon peaking and carbon neutrality be more robust by 2030 and a carbon neutrality standard measurement system be more technologically advanced, more effectively managed, more efficiently serviced and leading internationally be fully established by 2060. Meanwhile, it sets up some key tasks, among which the tasks related to the EV battery and energy storage mainly include focusing on the amending of standards for inspection, monitoring, performance assessment, safety management, and firefighting for systems and equipment related to new types of lithium-ion batteries, lead-carbon batteries, flow batteries, fuel cells, and sodium-ion batteries. Furthermore, pursuant to the Notice of the Action Program for Further Strengthening the Establishment of the Measurement System for Carbon Peaking and Carbon Neutrality Standards (2024-2025) (《關於進一步強化碳達峰碳中和標準計量體系建設行動方案(2024-2025年)的通知》) issued by the NDRC, the SAMR and the MEE on July 14, 2024 and became effective on the same day, accelerating the development of national standards for carbon footprints of lithium batteries is one of the key tasks.

According to the Action Plan for Carbon Dioxide Peaking Before 2030 (《2030年前碳達峰行動方案》), which was promulgated by the State Council on October 24, 2021 and became effective on the same day, China will focus on the implementation of "Ten Major Carbon Peaking Actions", such as the actions for energy transition, energy saving and carbon reduction, and low-carbon transportation. Among these, the actions related to the EV battery and energy storage mainly include: (i) in terms of the action for promoting green and low-carbon transportation, China will promote low-carbon transformation of transportation vehicles and equipment, expand the application of new and clean energy in transportation and vigorously promote NEVs, while gradually reducing the proportion of cars that run on traditional oil-based fuels in new car sales and car ownership; by 2030, the incremental share of vehicles fueled by new and clean energy that year will reach around 40%; (ii) in terms of the green and low-carbon transformation of energy, accelerate the construction of new power systems, actively develop "new energy + energy storage," integrate source-grid-load-storage and multi-energy complementarity, and support the reasonable deployment of energy storage systems for distributed new energy sources. Accelerate the demonstration and application of new types of energy storage, and by 2025, the installed capacity of new types of energy storage will reach more than 30 million kilowatts; in the action of energy saving and carbon reduction and efficiency, strengthen the energy saving and carbon reduction of new infrastructure, adopt DC power supply, distributed energy storage, "photovoltaic + energy storage" and other modes, and explore diversified energy supply; (iii) in terms of the action for advancing green and low-carbon technology innovation, China will deepen application-oriented basic research and focus on fields such as the large-scale utilization of renewable energy, new types of power system, energy conservation, energy storage and power batteries.

According to the Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy (《關於完整準確全面貫徹新發展理念做好碳達峰碳中和工作的意見》) promulgated by CPC Central Committee and the State Council and became effective on September 22, 2021, it expressly stipulates that, in order to achieve the main objectives of carbon peak and carbon neutrality as scheduled, China will accelerate the building of a clean, low-carbon, safe and efficient energy system; speed up the construction of a low-carbon transportation system, optimize the transportation structure, continue to reduce transportation energy consumption and carbon dioxide emission intensity, promote energy-saving and low-carbon transportation, guide low-carbon way of travel; strengthen key green and low-carbon technological research and promotion and application, carry out research on low-carbon, zero-carbon, carbon negative and new energy storage materials, and strengthen the research, demonstration and industrial application of new energy storage technologies such as electrochemistry.

Pursuant to the Notice on the Issuance of Financial Support to Facilitate Efforts in Reaching Carbon Peak and Carbon Neutralization (《關於印發財政支持做好碳達峰碳中和工作的意見的通知》) issued by the MOF and became effective on May 25, 2022, it proposes to vigorously support the development of NEVs and improve the supporting policies for charging and replacement infrastructure and calls for adhering to the coordinated advancement of carbon reduction, pollution reduction, green expansion and growth, actively building a fiscal and tax policy system that promotes the efficient use of resources and green, low-carbon development, promoting a better combination of an effective government and a functional market and supporting the timely achievement of carbon peaking and carbon neutrality goals.

Pursuant to the Implementation Plan for Carbon Peak in Industrial Sectors (《工業領域碳達峰實施方案》), which was issued by the MIIT, the NDRC and the MEE on July 7, 2022 and became effective on the same day, in order to accelerate the green and low-carbon transformation and achieve carbon peak in the industrial sector, the construction of a recycling system for NEV power batteries shall be promoted.

## NATIONAL POLICIES THAT MAY SIGNIFICANTLY AFFECT THE EV & ESS INDUSTRY

### Government Subsidies for NEV Purchasers

On April 22, 2015, the MOF, the MOST, the MIIT and the NDRC jointly promulgated the Circular on Financial Subsidies on the Promotion and Application of NEVs from 2016 to 2020 (《關於2016-2020年新能源汽車推廣應用財政支持政策的通知》) (the "**NEV Financial Subsidies Circular**"), which took effect on the same day. The NEV Financial Subsidies Circular provides that those who purchase NEVs specified in the Catalog of Recommended NEV Models for Promotion and Application (《新能源汽車推廣應用工程推薦車型目錄》) (the "**Recommended NEV Catalog**") issued by the MIIT, may enjoy government subsidies. A purchaser may purchase a new energy vehicle from a manufacturer by paying the price deducted from the subsidy amount, and the manufacturer may obtain the subsidy amount from the PRC central government after such a NEV is sold to the purchaser. Furthermore, a preliminary phase-out schedule for the provision of subsidies during the period from 2016 to 2020 contained in the NEV Financial Subsidies Circular specifies that the subsidy amount per vehicle, or subsidy criteria, for the years 2017 to 2018 will be reduced by 20% compared to that of the year 2016, and the subsidy criteria for the years 2019 to 2020 will be reduced by 40% compared to that of the year 2016.

On December 29, 2016, the MOF, the MOST, the MIIT and the NDRC jointly promulgated the Circular on Adjusting the Subsidy Policies on Promotion and Application of NEVs (《關於調整新能源汽車推廣應用財政補貼政策的通知》) (the "**Circular on Adjusting the NEV Subsidy Policies**"), which became effective on January 1, 2017, to enhance the technical requirements and adjust the subsidy criteria of qualified NEVs in the Recommended NEV Catalog. The Circular on Adjusting the NEV Subsidy Policies caps the subsidy amount from the local governments at 50% of the subsidy amount from the central government, and further specifies that national and local subsidies for purchasers purchasing new energy vehicles (except for fuel cell vehicles) from 2019 to 2020 will be reduced by 20% as compared to the then-existing subsidy standards.

According to the Notice of Adjusting and Improving the Policies on the Government Subsidies for Promotion and Application of NEVs (《關於調整完善新能源汽車推廣應用財政補貼政策的通知》) and the Notice of Further Improving the Policies on Government Subsidies for Promotion and Application of NEVs (《關於進一步完善新能源汽車推廣應用財政補貼政策的通知》) jointly promulgated by the MOF, the MOST, the MIIT and the NDRC between 2018 and 2019, the aforementioned notices gradually adjusted the subsidy scheme for the promotion of new energy vehicles and the product technical specifications for new energy vehicles.

The subsidy standard is reviewed and updated on an annual basis. Pursuant to the 2020 Subsidy Circular, the 2020 subsidy standard reduces the base subsidy amount by 10% for each NEV, sets subsidies for 2 million vehicles as the upper limit of the annual subsidy scale, and provides that national subsidy shall only apply to an NEV that is either (i) with the sale price under RMB300,000 or (ii) equipped with a battery swapping mechanism.

The 2021 subsidy standard, effective from January 1, 2021, was provided in the Circular on Further Improving the Subsidy Policies for the Promotion and Application of NEVs (《關於進一步完善新能源汽車推廣應用財政補貼政策的通知》) (the "**2021 NEV Financial Subsidies Circular**") jointly promulgated by the MOF, the MOST, the MIIT and the NDRC on December 31, 2020. According to the 2021 NEV Financial Subsidies Circular, the 2021 subsidy standard reduces the base subsidy amount by 20% for each NEV on the basis of that for the previous year. Further, the 2022 subsidy standard, effective from January 1, 2022, was provided in the Notice of Improving the Policies on Government Subsidies for Promotion and Application of NEVs in 2022 (《關於2022年新能源汽車推廣應用財政補貼政策的通知》) (the "**2022 Subsidy Notice**") jointly promulgated by the MOF, the MOST, the MIIT and the NDRC on December 31, 2021. The 2022 Subsidy Notice provides that the subsidies for new energy vehicles purchased in 2022 would be generally lowered by 30% compared to the previous year with limited exceptions in the area of public transport. Such subsidies have been eliminated at the end of 2022.

**Vehicle Purchase Tax Exemption Policies for NEV Purchasers**

According to the Announcement on the Exemption of Vehicle Purchase Tax on NEVs (《關於免徵新能源汽車車輛購置稅的公告》) jointly promulgated by the MOF, the State Administration of Taxation (the "**SAT**"), MIIT, and the MOST on December 26, 2017 and implemented on January 1, 2018, from January 1, 2018 to December 31, 2020, the purchase of NEVs in the Catalog of NEV Models Exempted from Vehicle Purchase Tax (《免徵車輛購置稅的新能源汽車車型目錄》) was exempted from vehicle purchase tax.

According to the Announcement on the Relevant Policies on the Exemption of Vehicle Purchase Tax for NEVs (《關於新能源汽車免徵車輛購置稅有關政策的公告》) jointly promulgated by the MOF, the SAT, and MIIT on April 16, 2020 and implemented on January 1, 2021, the vehicle purchase tax exemption period was further extended to December 31, 2022.

According to the Announcement on the Exemption of Vehicle Purchase Tax on New Energy Vehicles (《關於延續新能源汽車免徵車輛購置稅政策的公告》) jointly promulgated by the MOF, the SAT and the MIIT on September 18, 2022 and implemented on January 1, 2023, the vehicle purchase tax exemption period was extended to December 31, 2023.

According to the Announcement on Continuing and Optimizing the Vehicle Purchase Tax Reduction and Exemption Policy for New Energy Vehicles 《關於延續和優化新能源汽車車輛購置稅減免政策的公告》, which was jointly promulgated by the MOF, the SAT and the MIIT on June 19, 2023 and came into effect on the same date, it is expressively stated that the purchase tax exemption period for purchase of NEVs listed in the Catalog of NEV Models Eligible for Exemption and Reduction of Vehicle Purchase Tax (《減免車輛購置稅的新能源汽車車型目錄》) (the "**Vehicle Purchase Tax Catalog**"), was further extended to December 31, 2025; of which the tax exemption amount for each new energy passenger vehicle should not exceed RMB30,000; vehicle purchase tax for NEVs listed in the Vehicle Purchase Tax Catalog with purchase dates from January 1, 2026 to December 31, 2027 is reduced by half, of which the tax reduction amount for each new energy passenger vehicles should not exceed RMB15,000.

**Vehicle and Vessel Tax Exemption Policies for NEV Purchasers**

According to the Notice of Preferential Vehicle and Vessel Tax Policies for Energy-saving and New-energy Vehicles and Vessels (《關於節能新能源車船享受車船稅優惠政策的通知》) jointly promulgated by the MOF, the SAT, the MIIT and the MOT on July 10, 2018 and effective from the same date, purely electric commercial vehicles, plug-in (including extended-range) hybrid vehicles, and fuel cell commercial vehicles are exempt from vehicle and vessel tax, whereas purely electric passenger vehicle and fuel cell passenger vehicles are not subject to vehicle and vessel tax. The Catalog of NEV Models Enjoying Vehicle and Vessel Tax Reduction and Exemption (《享受車船稅減免優惠的節約能源使用新能源汽車車型目錄》) jointly promulgated by MIIT and the SAT from time to time lists the NEV models eligible for enjoying vehicle and vessel tax reduction and exemption.

**Recent Policies to Promote NEV Purchases and Trade-ins**

Pursuant to the Guiding Opinions on Further Promoting Electric Energy as Replacement (《關於進一步推進電能替代的指導意見》) jointly issued by ten ministries and commissions including the NDRC and the MIIT on March 4, 2022, it proposes to further promote the electrification of the transportation sector. It suggests promoting the household electric vehicles and pushes to speed up the construction of infrastructure such as electric vehicle charging piles.

Pursuant to the Opinions on Further Unleashing Consumption Potential to Promote Sustained Recovery of Consumption (《關於進一步釋放消費潛力促進消費持續恢復的意見》) issued and implemented by the General Office of the State Council on April 20, 2022, one of the initiatives is to steadily increase the consumption of automobiles and other consumption in bulk stocks and no additional vehicle purchase restriction measures shall be issued in all regions. In the regions where purchase restrictions have been implemented, it shall gradually increase the number of vehicle increment indicators, relax the eligibility criteria for vehicle purchasers, and gradually remove vehicle purchase restrictions based on local conditions. It also vigorously develops green consumption and continues to support the acceleration of development of NEVs, as well as fully tap into the consumption potential in counties and townships, while emphasizing guiding enterprises to carry out promotions in rural areas with the focus on automobile, encouraging eligible areas to introduce NEVs to the countryside, and promoting the construction of charging piles (stations) and other supporting facilities, so as to fully explore consumption potentials from counties and villages.

According to the Notice on the Measures for Invigorating Automobile Circulation and Boosting Automobile Consumption (《關於搞活汽車流通 擴大汽車消費若干措施的通知》) issued by 17 departments including the MOFCOM and implemented on July 5, 2022, it provided to (1) support the purchase and use of NEVs; (2) accelerate the activation of the second-hand cars market; (3) promote vehicle renewal consumption; (4) promote the sustainable and healthy development of the parallel import of vehicles; (5) optimize the environment for vehicle use; (6) enrich vehicle financing services.

Pursuant to the Detailed Implementation Rules for Subsidies for Automobile Trade-ins (《汽車以舊換新補貼實施細則》) (the "**Implementation Rules for Automobile Trade-ins**"), which was issued by the MOFCOM and other six ministries and commissions on April 24, 2024 and became effective on the same day, during the period from the issuance date to December 31, 2024, one-time subsidies with quota shall be given to individual consumers who scrap fuel passenger vehicles of or below Level 3 national emission standards or new energy passenger vehicles registered before April 30, 2018 (including the date) and purchase new energy passenger vehicles included in the Vehicle Purchase Tax Catalog and fuel passenger vehicles with displacement of 2.0 liters and below. A subsidy of RMB10,000 shall be given to those who scrap the aforesaid two categories of old cars and purchase new energy passenger vehicles. In addition, pursuant to the Several Measures to Strengthen Support for Large-Scale Equipment Renewals and Trade-ins of Consumer Goods (《關於加力支持大規模設備更新和消費品以舊換新的若干措施》), which was issued by the NDRC and the MOF on July 24, 2024 and became effective on the same day, the subsidy standard set out in the Implementation Rules for Automobile Trade-ins shall be increased to RMB20,000 for purchasing new energy passenger cars. Furthermore, the Notice of Further Effectively Completing the Work Concerning Trade-in of Vehicles (《關於進一步做好汽車以舊換新有關工作的通知》), which was issued by the MOFCOM and other six ministries and commissions on August 15, 2024 and became effective on the same day, restates the aforementioned increased subsidy standard, increases the central financial support, optimizes the vehicle scrapping renewal review and allocation regulation process and emphasizes on strengthening supervision and administration. For eligible subsidy applications filed between April 24, 2024 and January 10, 2025 (including applications for which the subsidy granting has been completed), subsidies shall be granted according to the increased standard specified in this notice; for applications for which the subsidies have been granted according to the former standard, the difference shall be made up according to the standard specified in this notice. Moreover, pursuant to the Notice on the Implementation of Large-Scale Equipment Renewal and Consumer Goods Trade-In Policies with Enhanced Efforts and Expanded Scope in 2025 (《關於2025年加力擴圍實施大規模設備更新和消費品以舊換新政策的通知》), which was issued by the NDRC and the MOF on January 5, 2025 and became effective on the same day, on one hand, the scope of vehicles eligible for vehicle scrapping and replacement has been further expanded. This includes incorporating the scenario of scrapping fuel vehicles meeting Level IV national emission standards and subsequently purchasing passenger NEVs in the scope of the subsidy program. Additionally, the registration time for passenger NEV eligible for scrapping has been extended by 6 months to December 31, 2018, while for other vehicles, it has been extended by 1 year: for gasoline passenger vehicles, it has been extended to June 30, 2012; for diesel and other fuel passenger vehicles, it has been extended to June 30, 2014. On the other hand, the subsidy standards for vehicle replacement have been improved. Individual consumers who transfer a passenger vehicle registered under their own name and purchase a new passenger NEV will be eligible for replacement subsidies up to RMB15,000 per vehicle.

Pursuant to the Notice on the Campaign of Promoting NEVs in Rural Areas for 2024 (《關於開展2024年新能源汽車下鄉活動的通知》), which was issued by the MIIT and other four ministries and commissions on May 15, 2024 and became effective on the same day, from May to December 2024, the following measures shall be taken to promote NEVs in rural areas: (i) selecting suitable NEV models for rural markets that have a good reputation and reliable quality (as listed in the Model Catalogue of the 2024 NEV Promotion in Rural Areas (2024年新能源汽車下鄉車型目錄)) and conducting various activities, such as centralized exhibitions, test rides, and test drives, to enrich consumer experiences and provide diverse options; (ii) organizing charging and battery swapping services, as well as financial services such as insurance underwriting, insurance claims, and credit services for NEVs; (iii) coordinating after-sales services, such as maintenance, in rural areas and addressing the shortcomings of matched environment in rural areas; and (iv) implementing support policies such as trade-ins and improvement of charging and swapping facilities in rural areas to deliver substantial monetary benefits directly to consumers.

We believe these government policies are expected to enhance EV sales of our OEM customers, which in turn are expected to lead to growth in their purchase of our battery products and in our sales volume and revenue.

### EU Tariff on EVs from China

In July 2024, the European Commission, which oversees EU's trade policy, has set provisional duties of up to 37.6% on EVs imported from China to the EU, citing "unfair subsidies" as the reason. This provisional duty is on top of an existing 10% duty that was already in place for all EVs from China. We directly sold our battery products to the European Union during the Track Record Period. To our best knowledge, the EVs manufactured by some of our OEM customers which install our power batteries had been sold to the European Union during the Track Record Period.

## REGULATIONS ON FOREIGN INVESTMENT

The PRC Company Law promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on December 29, 1993, which was last amended on December 29, 2023 and came into effect on July 1, 2024, provides that companies established in China may take the form of limited liability company or joint stock company with limited liability. Each company has the status of a legal person and owns the assets itself. The PRC Company Law also applies to foreign-invested companies.

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) promulgated by the NPC on March 15, 2019 and the Implementing Rules of the PRC Foreign Investment Law (《中華人民共和國外商投資法實施條例》) (the "**Implementing Rules of Foreign Investment Law**") promulgated by the State Council on December 26, 2019, all of which came into effect on January 1, 2020, China implements the pre-entry national treatment and the negative list management system to foreign investments. The pre-entry national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments except for the foreign investments in the "restricted" or "prohibited" fields or industries; the negative list (refers to the special administrative measures for foreign investment's access to the foregoing "restricted" or "prohibited" fields or industries, which will be proposed by the competent investment department of the State Council in conjunction with the competent commerce department of the State Council and other relevant departments, and be reported to the State Council for promulgation, or be promulgated by the competent investment department or competent commerce department of the State Council after being reported to the State Council for approval. The State will give national treatment to foreign investments outside the negative list. Foreign Investors shall not invest in any field prohibited by the negative list and shall meet the investment conditions stipulated for any field restricted by the negative list, while foreign investments outside the negative list shall be administered under the principle of equal treatment to domestic and foreign investment. The State establishes a foreign investment information reporting system. In the meantime, relevant competent government departments have formulated a catalogue of industries for which foreign investments are encouraged according to the needs for national economic and social development, to list the specific industries, fields and regions in which foreign investors are encouraged and guided to invest.

The current industry entry clearance requirements governing investment activities in the PRC conducted by foreign investors are set out in two catalogues, namely the Special Management Measures for the Entry of Foreign Investment (Negative List) (2024 version) (《外商投資准入特別管理措施(負面清單)(2024年版)》) which was promulgated by the NDRC and the MOFCOM on September 6, 2024 and became effective on November 1, 2024, and the Encouraged Industry Catalogue for Foreign Investment (2022 version) (《鼓勵外商投資產業目錄(2022年版)》), which was jointly promulgated by the NDRC and the MOFCOM on October 26, 2022 and came into effect on January 1, 2023. These two catalogues lay out the basic framework for foreign investment in the PRC, classifying businesses into three categories with regard to foreign investment: "encouraged", "restricted", and "prohibited". Industries not listed in the three catalogues are generally deemed as falling into a fourth category, "permitted" for foreign investment unless specifically restricted by other PRC laws and regulations. Pursuant to the Encouraged Industry Catalogue for Foreign Investment (2022 version), the manufacturing of EV batteries involved in our operation falls within the scope of industries in which foreign investment is encouraged.

According to the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which were promulgated by the MOFCOM and the State Administration for Market Regulation on December 30, 2019, and came into effect on January 1, 2020, foreign investors or foreign-invested enterprises shall submit investment information in a timely manner, follow the principles of truthfulness, accuracy and completeness, and shall not make false or misleading reports or material omissions. Where a foreign-invested enterprise invests (including multi-level investment) to establish an enterprise in the PRC, the relevant information shall be forwarded by the market supervision department to the competent department in charge of commerce after the registration and filing with the market supervision department and the submission of the annual report information.

## REGULATIONS ON ENVIRONMENTAL PROTECTION

According to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) (the "**Environmental Protection Law**") promulgated by the SCNPC on December 26, 1989, and last amended on April 24, 2014 and came into effect on January 1, 2015, any entity that discharges or will discharge pollutants in the course of operation or other activities must implement effective environmental protection measures to control and properly handle hazardous substances such as waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of such activities. The State implements a pollutant discharge permit management system in accordance with the law.

### Construction Projects

According to the Regulation on the Administration of Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998, amended on July 16, 2017 and came into effect on October 1, 2017, the Interim Measures for Environmental Protection Acceptance Examination Upon Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》), which was promulgated by the former Ministry of Environmental Protection on November 20, 2017 and came into effect on the same day, and the Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》), which was promulgated by the SCNPC on December 29, 2018 and came into effect on the same day, the PRC implements a system to assess the environmental impact of construction projects. The construction entity shall submit an environmental impact report or an environmental impact statement for approval prior to the commencement of the construction project, or an environmental impact registration form as required by the environmental protection administrative department of the State Council for record. In addition, after the completion of a construction project for which an environmental impact report or an environmental impact statement has been prepared, the construction entity shall, in accordance with the standards and procedures prescribed by the competent administrative department of environmental protection under the State Council, conduct acceptance checks on the supporting environmental protection facilities and prepare an acceptance report. For construction projects that are constructed in phases or put into production or used in phases, the corresponding environmental protection facilities shall be inspected and accepted in phases. The construction projects can only be put into production or use after the completed supporting environmental protection facilities have passed the acceptance inspection. Facilities that have not been carried out or have not passed the acceptance examination shall not be put into production or use. If a construction entity fails to submit an environmental impact assessment report or form for approval as required and proceeds with construction without approval, the competent authorities may order the suspension of construction. Depending on the severity of the violation and the resulting consequences, a fine ranging from 1% to 5% of the total investment in the project may be imposed, and the authorities may also order the restoration of the original state and impose the administrative penalties against the directly responsible person in charge and other directly liable persons of the construction entity. In addition, if the construction entity fails to complete the construction, acceptance and/or fail to pass the acceptance inspection of the environmental protection facilities as required before the construction project is put into production or use, the competent authority may order the construction entity to rectify within a specified period and impose a fine ranging from RMB200,000 to RMB1,000,000 on such entity; if the rectification is not made within the specified period, a fine ranging from RMB1,000,000 to RMB2,000,000 shall be imposed on such entity. Additionally, the directly responsible persons in charge and other responsible personnel shall be fined within a range from RMB50,000 and RMB200,000. If significant environmental pollution or ecological damage is caused, the project shall be ordered to cease production or use, or be closed upon approval by the competent authority.

**Atmospheric Pollution**

According to the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》) promulgated by the SCNPC on September 5, 1987, which was last amended on October 26, 2018 and came into effect on the same day, enterprises, public institutions, and other business entities shall, according to relevant provisions and monitoring norms of the state, monitor the industrial waste gases and the toxic and hazardous atmospheric pollutants listed in the catalogue mentioned in Article 78 of the Atmospheric Pollution Prevention and Control Law of the PRC they have discharged, and preserve the original monitoring records. Enterprises and public institutions discharging industrial waste gases or the toxic or hazardous atmospheric pollutants listed in the aforementioned catalogue and other entities subject to pollutant discharging licensing administration shall obtain a pollutant discharge license. In addition, when building projects that have an impact on atmospheric environment, enterprises, public institutions, and other business entities shall conduct environmental impact assessments and publish the environmental impact assessment documents in accordance with the law; when discharging pollutants to the atmosphere, they shall conform to the atmospheric pollutant discharge standards and abide by the total quantity control requirements for the discharge of key atmospheric pollutants.

### Solid Waste

According to the Solid Waste Law promulgated by the SCNPC on October 30, 1995, which was last amended on April 29, 2020 and came into effect on September 1, 2020, any entity or individual that produces, collects, stores, transports, utilizes, or disposes solid wastes shall take measures to prevent or reduce environmental pollution caused by solid wastes, and be liable for resultant environmental pollution in accordance with the law. In addition, construction projects where solid wastes are generated or projects for storage, utilization or disposal of solid wastes shall be subject to environmental impact assessment in accordance with the law. Facilities for the prevention and control of solid wastes are required to be designed, constructed and put into use simultaneously with the main part of the construction project.

### Water Pollution

According to the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) promulgated by the SCNPC on May 11, 1984, which was last amended on June 27, 2017 and came into effect on January 1, 2018, an enterprise or public institution or other business entity which directly or indirectly discharges industrial waste water or medical sewage to waters or waste water or sewage that may be discharged after a pollutant discharge license has been obtained as required shall obtain a pollutant discharge license. In addition, construction, renovation and expansion projects and other upper-water facilities that directly or indirectly discharge pollutants to water are subject to environmental impact assessment in accordance with the law. Facilities for water pollution prevention are required to be designed, constructed and put into operation simultaneously with the main part of the project.

### Noise Pollution

According to the Law of the PRC on Prevention and Control of Pollution From Noise (《中華人民共和國噪聲污染防治法》), which was promulgated by the SCNPC on December 24, 2021 and came into effect on June 5, 2022, the emission of noise and generation of vibration shall comply with the noise emission standards, the relevant ambient vibration control standards and the requirements of relevant laws, regulations and rules. In addition, the construction, renovation or expansion of projects that might cause environmental noise pollution shall be subject to environmental impact assessment in accordance with the law. Facilities for prevention and control of environmental noise pollution must be designed, constructed and put into use simultaneously with the main part of a construction project. Before a construction project is put into production or use, the construction employer shall, in accordance with the provisions of relevant laws and regulations, conduct the acceptance check of the supporting facilities for noise pollution prevention and control, work out the acceptance check report, and release it to the public. The construction project may not be put into production or use before its acceptance check is carried out or if it fails to pass its acceptance check.

**Pollution Permit**

According to the Environmental Protection Law and the Regulation on the Administration of Pollutant Discharge Licensing (《排污許可管理條例》), which was promulgated by the State Council on January 24, 2021, and came into effect on March 1, 2021, enterprises, business units and other producers and operators that implement the pollutant discharge licensing management shall discharge pollutants according to the requirements of the pollutant discharge license, and shall not discharge pollutants without obtaining the pollutant discharge license. The competent environmental protection authorities impose various administrative penalties on individuals or enterprises in violation of the Environmental Protection Law. In accordance with the Regulations on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》) issued by the State Council on October 2, 2013, and effective as of January 1, 2014, as well as the Administrative Measures for the Permit of Urban Sewage Discharge into Drainage Networks (《城鎮污水排入排水管網許可管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development on January 22, 2015, and revised on December 1, 2022, enterprises, public institutions, and individual businesses engaged in industrial, construction, catering, medical, and other activities that discharge sewage into urban drainage facilities must apply for and obtain a permit for sewage discharge into the drainage network from the urban drainage authority. Any sewage discharge entity who discharges sewage into urban drainage facilities without obtaining a discharge permit shall be ordered by the relevant authority to cease the illegal activity, to implement corrective measures within a specified period, and to obtain a sewage discharge permit, with a fine of up to RMB500,000 imposed. For entities listed as key pollutant discharging units, a fine ranging from RMB300,000 to RMB500,000 may be imposed.

**Environmental Protection Tax Law**

According to the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法》) promulgated by the SCNPC on December 25, 2016, which was last amended on October 26, 2018 and came into effect on the same day, and the Regulations on the Implementation of the Environmental Protection Tax Law of the PRC (《中華人民共和國環境保護稅法實施條例》), which was promulgated by the State Council on December 25, 2017 and came into effect on January 1, 2018, enterprises, public institutions and other producers and operators that directly discharge pollutants to the environment within the territory of the PRC and other sea areas under the jurisdiction of the PRC are taxpayers of environmental pollution tax, and shall pay environmental pollution tax in accordance with the aforementioned laws and regulations.

**REGULATIONS ON ENERGY CONSERVATION**

According to the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) promulgated by the SCNPC on November 1, 1997, last amended on October 26, 2018 and came into effect on the same day, the State shall implement an energy conservation assessment and audit system for fixed asset investment projects. For projects which do not meet the compulsory energy conservation standards, the developer shall not commence construction; where the construction is completed, the project shall not be put into production or use. For government investment projects which do not meet the compulsory energy conservation standards, the agency in charge of examination and approval pursuant to the law shall not grant approval for construction. Detailed measures shall be formulated by the department regulating energy conservation under the State Council jointly with other relevant State Council departments.

According to the Measures for the Energy Conservation Review of Fixed Asset Investment Projects (《固定資產投資項目節能審查辦法》), promulgated by the NDRC on March 28, 2023 and came into effect on June 1, 2023, the review opinions on energy conservation of a fixed asset investment project are an important basis for the commencement of construction, acceptance upon completion as well as operation and management of such project. For a government-invested project, the project owner shall obtain the review opinions on energy conservation issued by the energy conservation review authority prior to submitting its feasibility study report for the project. For an enterprise-invested project, the project owner shall obtain the review opinions on energy conservation issued by the energy conservation review authority prior to the commencement of construction. For a project which has not undergone the energy conservation review or fails to pass the energy conservation review, the project owner shall not commence construction, or the project shall not be put into production or use if it is already completed. The administrative departments for energy conservation of the local people's governments at or above the county level shall, in light of the actual circumstances of the local energy conservation, strengthen the overall guidance and overall coordination of the work of energy conservation review, implement the regulation and control of the total energy consumption and intensity, enhance the management of obligatory target for the reduction of energy consumption intensity, effectively increase the flexibility of the management of total energy consumption, control fossil energy consumption, and resolutely curb the blind development of high-energy-consumption, high-emission and low-level projects.

Any fixed asset investment project that commences construction or is put into production and use without undergoing the required energy-saving review, or that fails to pass the review, shall be ordered to cease construction or halt production and use, to rectify the situation within a specified period, and to receive criticism in a circulated notice by the relevant authority. Depending on the severity of the violation, a fine of up to RMB100,000 may be imposed. If a project is put into production or use without undergoing the required energy-saving acceptance inspection, or if the project fails the inspection, the relevant authority may order the construction entity to rectify the situation within a specified period and impose a fine ranging from RMB30,000 to RMB50,000.

## REGULATIONS ON PRODUCTION SAFETY

According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) promulgated by the SCNPC on June 29, 2002, last amended on June 10, 2021 and came into effect on September 1, 2021, an enterprise shall comply with Production Safety law of the PRC and other laws and regulations related to production safety, strengthen production safety management, establish and improve a production safety responsibility system and production safety rules and systems for all employees, increase efforts to guarantee the input of funds, materials, technology, and personnel in production safety, improve production safety conditions, strengthen standardization and informatization of production safety, construct a dual prevention mechanism consisting of graded management and control of safety risks and examination and control of potential risks, improve the risk prevention and resolution mechanism, raise production safety levels, and ensure production safety.

The person in charge of an enterprise shall be fully responsible for the safety of production of the enterprise. An enterprise having more than 100 employees shall establish a production safety management institution or be equipped with dedicated production safety management personnel. Personnel who is responsible for managing production safety shall inspect the safety of production regularly based on the characteristics of production of the enterprise and shall deal with any safety issue identified during the inspection in a timely manner. Any unsolved issue shall be reported to the person in charge in a timely manner and the person in charge shall solve such issue immediately. The inspection and measures taken shall be duly recorded. Enterprises and institutions shall provide their employees with education and training on production safety and shall truthfully inform their employees of any potential risks in relation to the workplace and duties, preventive measures and emergency measures. In addition, an enterprise shall provide its employees with protective equipment that meets the national or industry standards and supervise and train them to wear and use such equipment.

According to the Measures for the Supervision and Administration of "Three Simultaneities" for the Safety Facilities of Construction Projects (《建設項目安全設施"三同時"監督管理辦法》) promulgated by the former State Administration of Work Safety (currently known as the Ministry of Emergency Management) on December 14, 2010, last amended on April 2, 2015 and came into effect on May 1, 2015, the safety facilities in a newly built, reconstructed or expanded construction project must be designed, constructed and put into use in production simultaneously with the main body of the project. Enterprises shall conduct a comprehensive analysis of safety production conditions and facilities, form a written report for future reference, or conduct a safety pre-assessment of their construction projects, and prepare a safety pre-assessment report. When the enterprise is in the preliminary design of the construction project, it shall entrust the design unit with corresponding qualifications to design the safety facilities of the construction project simultaneously and prepare the design of the safety facilities. Before the construction project is completed and put into use in production, the enterprise shall organize the completion acceptance of the safety facilities and form a written report for future reference. After the safety facilities are completed and accepted, they can be put into production and use. If an enterprise violates the relevant requirements, it may be ordered to suspend its production, make rectification within the specified time limit, and impose a fine.

If a construction entity delivers a project for use without organizing the construction project acceptance process, the entity shall be ordered to rectify the situation and may be fined between 2% and 4% of the project construction contract price. If losses are caused, the entity shall be liable for compensation in accordance with the law. Failure to file the construction project acceptance report, related approval documents, or permits with the relevant authorities as required by laws and regulations shall result in an order to rectify the situation and a fine ranging from RMB200,000 to RMB500,000.

With respect to the design of safety facilities, if operating entity fails to complete the design of safety facilities, does not pass the completion acceptance of design of safety facilities and/or no written examination report is formed before the construction project is put into production or use, the relevant production and operation entity may be ordered to rectify within a specified period, and a fine ranging from RMB5,000 to RMB30,000 may be imposed.

With respect to the occupational disease prevention, (a) if the construction entity fails to conduct an occupational disease hazard pre-assessment as required, or the occupational disease prevention facilities are not designed, constructed, and put into production and use simultaneously with the construction of main project as required, or the evaluation of the effectiveness of occupational disease hazard control for the prevention facilities is not carried out as required, or if the prevention facilities do not pass the acceptance inspection before the construction project is completed and put into production and use, the relevant authority may issue a warning to the construction entity and order such entity to rectify within a specified period. If the rectification is not completed within the specified period, a fine ranging from RMB100,000 to RMB500,000 may be imposed. In severe cases, the relevant authority may order the cessation of operations that generate occupational disease hazards, or submit a request to other relevant authority to order the suspension or closure of the project, (b) if the occupational disease hazard pre-assessment report, the design of occupational disease prevention facilities, or the report on the evaluation of occupational disease hazard control effectiveness is not reviewed as required, or if the acceptance inspection of the occupational disease prevention facilities is not completed as required, the relevant authority may issue a warning to the construction entity and order such entity to rectify the situation within a specified period. If the rectification is not completed within the specified period, a fine ranging from RMB5,000 to RMB30,000 may be imposed, (c) for construction projects with serious occupational disease hazards that fail to complete the filing procedures after occupational health assessment and acceptance, competent authorities may order the construction entity to rectify within a specified period, issue a warning to and may impose a fine on such entity ranging from RMB5,000 to RMB30,000.

## REGULATIONS ON FIRE PREVENTION

According to the Fire Prevention Law of the PRC (《中華人民共和國消防法》) promulgated by SCNPC on April 29, 1998, last amended on April 29, 2021 and came into effect on the same day, the Emergency Management Authority of the State Council and its local counterparts at or above the county level shall monitor and administer the fire prevention affairs, and the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards. According to the Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020, last amended on August 21, 2023 and officially implemented on October 30, 2023, special construction projects as defined under the Interim Provisions shall conduct fire protection design review and fire protection acceptance inspection, construction projects other than such special construction projects shall file protection acceptance of the project with competent authority. If the construction entity fails to complete the filing procedures with competent authority for its fire prevention acceptance, it may be ordered to rectify and may be imposed a fine of up to RMB5,000.

## REGULATIONS ON RADIATION SAFETY

According to the Law of the PRC on Prevention and Control of Radioactive Pollution (《中華人民共和國放射性污染防治法》), which was promulgated by the SCNPC on June 28, 2003 and came into effect on October 1, 2003, an entity producing, selling or using radioisotope and ray devices shall, in accordance with the relevant provisions of the State Council on prevention of radioactivity from the radioisotope and ray devices, apply to obtain a permit, and make registration accordingly. An entity producing, selling, using or storing radioactive sources shall set up a sound and safe security system, designate specialized personnel to be responsible for the system, ensure the implementation of the system of accountability for safety, and formulate the necessary measures for addressing emergencies in accidents.

According to the Regulation on the Security and Protection of Radioisotope and Radioactive Ray Devices (《放射性同位素與射線裝置安全和防護條例》) promulgated by the State Council on September 14, 2005, last amended on March 2, 2019 and came into effect on the same day, and the Measures for Administration of the Safety Licensing of Radioactive Isotopes and Radioactive Equipment (《放射性同位素與射線裝置安全許可管理辦法》) promulgated by the former Ministry of Environmental Protection on January 18, 2006, last amended on January 4, 2021 and came into effect on the same day, any entity producing, selling or using radioisotopes or radiation-emitting devices shall obtain a radiation safety license.

## REGULATIONS ON PRODUCT QUALITY

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and last amended on December 29, 2018, the market supervision and administration department under the State Council is in charge of the national supervision of product quality, a manufacturer is prohibited from producing or selling products that do not meet applicable standards and requirements for safeguarding human health and ensuring human and property safety. Products must be free from unreasonable dangers threatening human and property safety. Where a defective product causes physical injury to a person or property damage, the aggrieved party may make a claim for compensation from the producer or the seller of the product. Producers and sellers of non-compliant products may be ordered to cease the production or sale of the products and could be subject to confiscation of the products and/or fines. Earnings from sales in contravention of such standards or requirements may also be confiscated, and in severe cases, an offender's business license may be revoked.

## REGULATIONS ON IMPORT AND EXPORT OF GOODS

The Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) was promulgated by the SCNPC on May 12, 1994, which was most recently amended on December 30, 2022 and came into effect on the same date. Before December 30, 2022, any foreign trade business operator engaged in the import and export of goods or technologies must go through the record filing and registration formalities with the MOFCOM or the agency entrusted by the MOFCOM, however, according to the latest amendment, such record filing and registration formalities are no longer required from December 30, 2022.

According to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987 and last amended on April 29, 2021, the General Administration of Customs of the PRC (the "**GACC**") is the state's entry and exit customs supervision and administration authority. According to the relevant laws and administrative regulations, the Customs supervises the transportation vehicles, goods, luggage, postal articles and other articles entering and leaving the country, collects customs duties and other taxes and fees, prevents and counters smuggling, compiles customs statistics and handles other customs operations. Customs declaration entities refer to the consignees and consignors of import and export goods and customs declaration enterprises recorded with the customs. The consignee or the consignor of imports or exports may complete the declaration formalities for inspection on its own or by entrusting a declaration agency enterprise to complete the declaration formalities for inspection and complete the filing formalities with the immigration inspection and quarantine authorities in accordance with the law.

According to the Provisions on the Administration of Recordation of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位備案管理規定》) promulgated by the GACC on November 19, 2021 and came into effect on January 1, 2022, customs declaration entities mean consignees or consignors of imports and exports and customs declaration enterprises which have filed record with the Customs pursuant to these Provisions. Consignees or consignors of imports and exports and customs declaration enterprises applying for filing shall obtain market entity qualification; in the case of consignees or consignors of imports and exports applying for filing, they shall also complete filing formalities for foreign trade business operators. According to the Notice by the Department of Enterprise Management and Audit-Based Control of the General Administration of Customs of Matters Concerning the Recordation of the Consignees and Consignors of Imported and Exported Goods, promulgated on January 3, 2023 and took effect on the same day, a consignee or consignor of imported or exported goods who applies for recordation shall be qualified as a market entity and is not required to complete such filing formalities for foreign trade business operators.

## REGULATIONS ON EMPLOYMENT, SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

### Employment

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994 and last amended on December 29, 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, which was last amended on December 28, 2012 and came into effect on July 1, 2013, and the Implementing Regulations of the Labor Contracts Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council on September 18, 2008 and came into effect on the same day, labor relationships between employers and employees must be executed in written form. Employers are prohibited from forcing employees to work above certain time limits and employers must pay employees for overtime work in accordance with national regulations. In addition, employee wages must not be lower than local standards on minimum wages and must be paid to employees in a timely manner.

According to the Notice on Issues relating to Confirmation of Labor Relationship (《關於確立勞動關係有關事項的通知》) promulgated by the former Ministry of Labor and Social Security on May 25, 2005 and came into effect on the same day, a labor relationship shall be deemed to be concluded under the following circumstances, even if the employer does not enter into a written contract with the worker, (i) the employer and the worker satisfy the requirements on eligibility prescribed by the laws and regulations, (ii) the employer has, in accordance with the law, formulated such labor regulations and requirements which apply to the worker; the worker is subject to labor management by the employer and engages in remunerated labor work arranged by the employer, and (iii) the labor provided by the worker is a component of the employer's business.

### Social Insurance

The PRC Social Insurance Law (《中華人民共和國社會保險法》), or the Social Insurance Law, promulgated by the SCNPC on October 28, 2010 and last amended on December 29, 2018, has established social insurance systems of basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance and has elaborated in detail the legal obligations and liabilities of employers who fail to comply with relevant laws and regulations on social insurance. According to the Social Insurance Law and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was promulgated by the State Council on January 22, 1999, last amended on March 24, 2019 and came into effect on the same day, enterprises shall register social insurance with local social insurance and pay or withhold relevant social insurance for or on behalf of its employees. Any employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a prescribed time limit and be subject to a late fee. If the employer still fails to rectify the failure to make the relevant contributions within the prescribed time, it may be subject to a fine ranging from one to three times the amount overdue.

### Housing Provident Fund

According to the Regulation on the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, and last amended on March 24, 2019, enterprises must register at the designated administrative centers and open bank accounts for depositing employees' housing provident fund. Employers and employees are also required to pay and deposit housing provident fund, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. In case of overdue payment or underpayment by employers, orders for payment within a specified period will be made by the housing fund management center. Where employers fail to make payment within such period, enforcement by the people's court will be applied. In case of failure to register and open accounts for depositing employees' housing provident fund, the housing fund management center shall order employers to go through the formalities within a specified period, where employers fail to do such formalities within the prescribed time, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed.

## REGULATIONS ON INTELLECTUAL PROPERTY

### Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated by the SCNPC on March 12, 1984, last amended on October 17, 2020 and came into effect on June 1, 2021, and the Implementation Regulations for the Patent Law of the PRC (《中華人民共和國專利法實施細則》), which promulgated by the State Council on December 21, 1992, last amended on December 11, 2023 and came into effect on January 20, 2024, patents are divided into 3 categories, i.e. inventions, utility models and designs. The validity period of patents for inventions is 20 years, while the validity period of patents for utility models is 10 years, and the validity period of patents for designs is 15 years, all starting from the next date of application.

### Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated by the SCNPC on August 23, 1982, last amended on April 23, 2019 and came into effect on November 1, 2019, and the Implementation Rules of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), which was promulgated by the State Council on August 3, 2002, last amended on April 29, 2014 and came into effect on May 1, 2014, stipulate the application, examination and approval, renewal, alternation, transfer, use and invalidation of trademark registration, and protect the trademark rights entitled to trademark registrants. According to the aforesaid laws and regulations, the registration of a trademark shall be valid for ten years from the date of approval. If there is a continued need for the use of the trademark, a renewal shall be made in accordance with requirements within 12 months before the expiry of the trademark registration. If the renewal is not made within the stipulated period, the valid period may be extended for a further period of six months. Each renewal of registration of a trademark shall be valid for ten years from the date of the expiry of the previous trademark registration. A trademark registrant may license others the right to use his/her trademark by entering into a trademark license agreement.

### Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》), which was promulgated by the SCNPC on September 7, 1990, last amended on November 11, 2020 and came into effect on June 1, 2021, and the Implementation Rules of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》), which was promulgated by the State Council on August 2, 2002 and last amended on March 1, 2013, works of Chinese citizens, legal persons or unincorporated organizations, i.e. intellectual achievements in the field of literature, art and science that are original and can be expressed in a certain form, whether published or not, are entitled to copyright in accordance with the Copyright Law. Copyright includes a series of personal and property rights such as the right of publication, the right of authorship, the right of modification, the right to protect the integrity of the work and the right of reproduction.

According to the Regulations on the Computer Software Protection (《計算機軟件保護條例》), which was promulgated by the State Council on December 20, 2001, last amended on January 30, 2013 and came into effect on March 1, 2013, and the Measures for the Computer Software Copyright Registration (《計算機軟件著作權登記辦法》), which were promulgated by the National Copyright Administration on February 20, 2002 and last amended on June 18, 2004, the National Copyright Administration shall be the competent governmental authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China is designated as the software registration authority which shall grant registration certificates to the computer software copyrights applicants according to aforesaid Regulations and Measures.

### Domain Names

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the MIIT on August 24, 2017 and came into effect on November 1, 2017, the establishment of domain name root servers and domain name root server operation institutions, domain name registration management institutions and domain name registration service institutions within the territory of the PRC shall obtain permission from the MIIT or the communications administration department of the province, autonomous region or municipality directly under the central government. The principle of "first come, first served" applies to domain name registration service. The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which was promulgated by the MIIT on November 27, 2017 and came into effect on January 1, 2018, stipulates the obligations of Internet information service providers and other entities to combat terrorism and maintain network security.

## REGULATIONS ON TAXATION

### Taxation of Security Holders

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective PRC laws and practices and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulations. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in H Shares. The discussion is based upon current PRC laws and relevant interpretations in effect as of the date of this document, all of which are subject to change or adjustment. Prospective investors are urged to consult their financial adviser regarding the PRC and other tax consequences of owning and disposing of H Shares.

### Taxation on dividends

***Individual investors***

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was last amended on August 31, 2018 by the SCNPC and came into effect on January 1, 2019, and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which were last amended on December 18, 2018 by the State Council and came into effect on January 1, 2019, dividends paid by PRC enterprises are subject to an individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to an individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty. In accordance with the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) promulgated by MOF and the SAT on May 13, 1994 and effective from the same day, overseas individuals are, as an interim measure, exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises. According to the Notice of the State Council on Approving and Relaying the Several Opinions of the National Development and Reform Commission and Other Departments on Deepening Reform of the Income Distribution System (《國務院批轉發展改革委等部門關於深化收入分配制度改革若干意見的通知》) issued by the State Council on February 3, 2013, overseas individuals are no longer exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises, which is, however, not specified in the subsequent Individual Income Tax Law of the PRC and relevant tax regulations.

***Enterprise investors***

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), which was issued on March 16, 2007 and latest amended by the SCNPC and implemented on December 29, 2018, and the Implementation Rule for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) enacted on December 6, 2007 by the State Council and became effective on January 1, 2008, and last amended on December 6, 2024, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong (China)), if such non-resident enterprise does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise on each payment or when it is payable on due date. The withholding tax may be reduced pursuant to applicable treaties or agreements on avoidance of double taxation.

The Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-Share Holders Which Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), which was issued and implemented by the SAT on November 6, 2008, further clarifies that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (Guo Shui Han [2009] No. 394) (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》(國稅函[2009]394號)), which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that the PRC has entered into with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Arrangement**"), which was signed between the SAT and the Hong Kong Special Administrative Region Government on August 21, 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong (China) residents (including resident individual and resident entities) in an amount not exceeding 10% of the total dividends payable by the PRC company unless a Hong Kong (China) resident directly holds 25% or more of the equity interest in the PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the

Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on December 6, 2019, provided a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax laws and regulations, such as the Notice of the SAT on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (Guo Shui Han [2009] No. 81) (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》(國稅函[2009]81號)).

**Tax Treaties**

Non-PRC resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the PRC enterprise income tax imposed on the dividends received from PRC enterprises. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong (China), Macau (China), Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the PRC tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

**Taxation on share transfer**

***Income Tax***

*Individual investor*

According to the Individual Income Tax Law of the PRC and its implementation rules, the proceeds from the sale of equity interests in PRC-resident enterprise are subject to income tax at a tax rate of 20%.

According to the Notice Concerning Continuing Temporary Exemption From Individual Income Tax on The Income From Stocks Transfer (Cai Shui Zi [1998] No. 61) (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》(財稅字[1998]61號)) promulgated by the MOF and SAT and became effective on March 30, 1998, since January 1, 1997, the individual income tax levied on the individual income from transfer of stocks of listed companies will continue to be temporarily exempted. In the newly revised Individual Income Tax Law of the PRC, the SAT did not clearly stipulate whether to continue to exempt individuals from tax on the income from transfer of stocks of listed companies.

Furthermore, the Notice of the State Administration of Taxation on Issues Concerning the Levy of Individual Income Tax on Incomes from the Transfer of Restricted Shares of Listed Companies (Cai Shui [2009] No. 167) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》(財稅[2009]167號)) jointly issued by the MOF, the SAT and the CSRC and implemented on January 1, 2010 stipulates that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from the individual income tax, except for the relevant restricted shares as defined in the Supplementary Notice Concerning the Levy of Individual Income Tax on Incomes from the Transfer of Restricted Shares of Listed Companies (Cai Shui [2010] No. 70) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》(財稅[2010]70號)) jointly issued by these departments and implemented on November 10, 2010. As of the Latest Practicable Date, the aforementioned provisions did not specify whether to impose the individual income tax on the income from the transfer of shares of PRC-resident enterprise listed on overseas stock exchanges (such as the Hong Kong Stock Exchange) by non-PRC resident individuals.

*Enterprise investors*

In accordance with the EIT Law and its implementation rules, a non-resident enterprise that has not established an establishment or premises in the PRC or it has established an establishment and premises but the income received has no actual connection with the establishment and premises, shall pay an enterprise income tax at a rate of 10% for the income arising within the PRC (including the income from sale of equity interests of PRC-resident enterprise). The aforesaid income tax payable for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise on each payment or when it is payable on due date. The withholding tax may be reduced pursuant to applicable treaties or agreements on avoidance of double taxation.

**Value-Added Tax**

Pursuant to the Notice on the Full Implementation of Pilot Program for Transition from Business Tax to Value-added Tax (Cai Shui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》 (財稅[2016]36號)), effective from May 1, 2016, entities and individuals engaged in sales of services within the PRC shall be subject to value-added tax (the "**VAT**") and sales of services within the PRC refers to the situation where either the seller or the buyer of a taxable service is located within the PRC. The notice also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable income (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals are exempted from VAT upon transfer of financial products provided in the third appendix of the notice, namely Provisions on the Transitional Policies for the Pilot Collection of Value-added Tax in Lieu of Business Tax (《營業稅改徵增值稅試點過渡政策的規定》).

### Stamp Duty

In accordance with the Stamp Tax Law of the People's Republic of China (《中華人民共和國印花稅法》) promulgated by the SCNPC on June 10, 2021 and came into effect on July 1, 2022, entities and individuals that issue taxable certificates and conduct securities transactions within the territory of PRC, or entities and individuals who issue taxable certificates and conduct securities transactions outside the territory of PRC to be used within the territory of the PRC shall subject to stamp duty.

### Estate Duty

As at the Latest Practicable Date, no estate duty is levied within the PRC.

## PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

### Enterprise Income Tax

The EIT Law and its implementation rules are the principal law and regulation governing enterprise income tax in the PRC. According to the EIT Law and its implementation rules, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. Non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived incomes from the PRC. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such income is obtained outside the PRC but have an actual connection with the set-up institutions or sites. And non-resident enterprises that have not set up institutions or sites in the PRC or have set up institutions or sites but the incomes obtained by the said enterprises have no actual connection with the set-up institutions or sites, shall pay enterprise income tax at the rate of 10% in relation to their income sources from the PRC.

### Value-Added Tax

The major PRC Law governing VAT are the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) issued on December 13, 1993 by the State Council, last revised and effective on November 19, 2017, as well as the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) issued on December 25, 1993 by the MOF, last revised on October 28, 2011, and effective on November 1, 2011, which provide that any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. The rate of VAT for sale of goods is 17% unless otherwise specified.

With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and the SAT issued the Notice of on Adjusting VAT Rates (Cai Shui [2018] No. 32) (《關於調整增值稅稅率的通知》(財稅[2018]32號)) on April 4, 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively, and this adjustment became effect on May 1, 2018. Subsequently, the MOF, the SAT and the General Administration of Customs jointly issued the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) on March 20, 2019 to make a further adjustment, which came into effect on April 1, 2019. The tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%. On December 25, 2024, the SCNPC promulgated the Value-Added Tax Law of the PRC (《中華人民共和國增值稅法》), which will become effective on January 1, 2026, and the Interim Regulations on Value-added Tax of the PRC will be abolished.

## REGULATIONS ON FOREIGN EXCHANGE

The legal currency of the PRC is Renminbi, which is currently subject to foreign exchange regulation and cannot be freely converted into foreign currency. The State Administration of Foreign Exchange (the "**SAFE**"), with the authorization of the People's Bank of China (the "**PBOC**"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange regulations.

On January 29, 1996, the State Council promulgated the Regulations of the PRC Foreign Exchange Administration (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Regulations**") which became effective on April 1, 1996. The Foreign Exchange Regulations classify all international payments and transfers into current items and capital items. Most of the current items are no longer subject to SAFE's approval, while capital items remain unchanged. The Foreign Exchange Regulations were subsequently amended on January 14, 1997 and August 5, 2008. The latest amendment to the Foreign Exchange Regulations clearly states that no restriction will be imposed on international current payments and transfers.

On June 20, 1996, the PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (Yin Fa [1996] No. 210) (《結匯、售匯及付匯管理規定》(銀發[1996]210號)), which abolished the then-remaining restrictions on convertibility of foreign exchange under current items, while retaining the existing restrictions on foreign exchange transactions under capital items.

According to the Announcement on Improving the Reform of the Renminbi (the PBOC Announcement [2005] No. 16) (《關於完善人民幣匯率形成機制改革的公告》(中國人民銀行公告[2005]第16號)), issued by the PBOC on July 21, 2005 and became effective on the same date, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. As a result, the Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

On August 5, 2008, the State Council promulgated the revised Foreign Exchange Regulations, which have made substantial changes to the foreign exchange supervision system of the PRC. First, the regulations have adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities; second, the regulations have improved the RMB exchange rate floating system based on market supply and demand under management; third, in the event that international balance of payment suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures against international balance of payment; fourth, the regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to SAFE to enhance its supervisory and administrative powers.

According to the relevant laws and regulations in the PRC, PRC enterprises which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at designated banks that carry foreign exchange business, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, after paying taxes in according to the law, on the strength of resolutions of the board of directors or resolutions of shareholders on the distribution of profits, effect payment from foreign exchange accounts opened at designated banks that carry foreign exchange business, or effect exchange and payment at designated banks.

The Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (Guo Fa [2014] No. 50) (《關於取消和調整一批行政審批項目等事項的決定》(國發[2014]50號)) promulgated by the State Council and came into effect on October 23, 2014, provide to cancel the approval requirement of SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into Renminbi domestic accounts.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (Hui Fa [2014] No. 54) (《關於境外上市外匯管理有關問題的通知》(匯發[2014]54號)) issued by SAFE and became effective on December 26, 2014, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the branch office of SAFE located at its registered address; the proceeds from an overseas listing of a domestic company may be repatriated to China or deposited overseas, provided that the intended use of the proceeds shall be consistent with the content of the prospectus document or other public disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a dedicated foreign exchange account at a domestic bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (Hui Fa [2015] No. 13) (《關於進一步簡化和改進直接投資外匯管理政策的通知》(匯發[2015]13號)) promulgated by SAFE on February 13, 2015 and became effective on June 1, 2015, and partially repealed on December 30, 2019, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice on Policies for Reforming and Regulating the Administration of Foreign Exchange Settlement of Capital Accounts (Hui Fa [2016] No. 16) (《關於改革和規範資本項目結匯管理政策的通知》(匯發[2016]16號)), promulgated by SAFE and became effective June 9, 2016, which was last amended on December 4, 2023, the settlement of foreign exchange proceeds under the capital account (including foreign exchange capital funds, foreign debt funds, funds transferred back from overseas listings, etc.) that are subject to discretionary settlement as already specified by relevant policies may be handled at banks based on the actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency proceeds in capital account of domestic institutions is 100%, subject to adjustment of SAFE in due time in accordance with international revenue and expenditure situations.

According to the Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (Hui Fa [2017] No. 3) (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》 (匯發[2017]3號)) issued by the SAFE on January 26, 2017 and implemented on the same date, several measures are introduced, including (a) further expanding the scope of domestic foreign exchange loan settlement, allowing domestic foreign exchange loans with the background of commodity trade and exports to be settled, (b) allowing funds under domestic guarantee and foreign loans to be transferred back, (c) allowing foreign exchange settlement via the foreign exchange accounts of foreign institutions in pilot free trade zones, and (d) implementing full-coverage administration of overseas lending in both Renminbi and foreign currencies, where a domestic institution engages in overseas lending, the combined balance of foreign exchange lending in Renminbi and foreign currencies shall not exceed a maximum of 30% of the owner's equity in the audited financial statements of the preceding year.

According to the Notice on Further Facilitating Cross-border Trade and Investment (Hui Fa [2019] No. 28) (《關於進一步促進跨境貿易投資便利化的通知》 (匯發[2019]28號)) issued by the SAFE on October 23, 2019 and implemented on the same date, which was last amended on December 4, 2023, restrictions have been removed on the use of capital funds by non-investment foreign-invested enterprises for domestic equity investment. In addition, restrictions have also been removed on the use of funds in domestic asset realization accounts for foreign exchange settlement and the use of security deposits for foreign exchange settlement by foreign investors. Eligible enterprises in pilot areas are allowed to use capital funds, foreign debt, overseas listings and other income under capital items for domestic payments without providing the banks with proofs of authenticity in advance, provided that their use of funds shall be genuine and in compliance with the current regulations governing the use of income from capital items.

According to the Notice on Further Deepening Reforms to Promote the Convenience of Cross-border Trade and Investment (Hui Fa [2023] No. 28) (《關於進一步深化改革促進跨境貿易投資便利化的通知》) (匯發[2023]28號)) issued by the SAFE on December 4, 2023 and implemented on the same date, qualified high-tech, "professional, sophisticated, unique and new" and technology-based small and medium-sized enterprises in Jiangsu and certain other areas can borrow foreign debt on their own within an amount not exceeding the equivalent of US$10 million. The restriction that the cumulative remittance amount of up-front expenses of overseas direct investment by a domestic enterprise shall not exceed the equivalent of US$3 million was abolished, provided that the cumulative remittance amount shall not exceed 15% of the total proposed investment amount by the PRC entity. Additionally, the asset realization account of capital accounts to the settlement account of capital accounts was restructured. The equity transfer consideration funds in foreign currency received by a domestic equity transferor (including institutions and individuals) from domestic parties, as well as the foreign exchange funds raised by domestic enterprises through overseas listing may be directly remitted to the settlement account of capital accounts. Funds in the settlement account of capital accounts may be settled and used at discretion. The equity transfer consideration funds received by a domestic equity transferor from FIEs which are paid with RMB funds derived from the settlement of foreign exchange (i.e. RMB funds derived from direct settlement of foreign exchange or from settlement account for pending payment) may be transferred directly to the RMB account of the domestic equity transferor.

According to the Notice on Optimising Administration of Foreign Exchange to Support the Development of Foreign-related Business (Hui Fa [2020] No. 8) (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》(匯發[2020]8號)) issued by SAFE and became effective on June 1, 2020, eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, without providing materials to the bank in advance for authenticity verification on an item-by-item basis, provided that their utilized capital shall be authentic and in line with provisions, and conform to the prevailing administrative regulations related to the use of income under capital accounts. The concerned bank shall manage and control the relevant business risks under the principle of prudent business development and conduct spot checks afterwards in accordance with the relevant requirements. Local foreign exchange authorities shall strengthen monitoring and analysis and interim and ex-post supervision.

## REGULATIONS RELATED TO CYBER SECURITY AND DATA SECURITY

On July 1, 2015, SCNPC issued the National Security Law of the PRC (《中華人民共和國國家安全法》), (the "**National Security Law**") which came into effect on the same day. The National Security Law provides that the PRC shall build a network and information security guarantee system and improve network and information security protection capability to realize the controllable security of the network information key technologies and critical infrastructure and the information systems and data in important fields.

On November 7, 2016, SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the "**Cybersecurity Law**"), which came into effect on June 1, 2017. The Cybersecurity Law applies to the construction, operation, maintenance, and use of networks as well as the supervision and administration of cybersecurity in China. Network service providers who do not comply with the Cybersecurity Law may be subject to corrective orders, warnings, fines, suspension of their businesses, shutdown of their websites, and revocation of their business licenses.

On June 10, 2021, SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the "**Data Security Law**"), which took effect on September 1, 2021. The Data Security Law provides for data security requirements on entities and individuals carrying out data processing activities. The Data Security Law also introduces a data classification and layered protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The appropriate level of protection measures is required to be taken for each respective category of data. Violation of the Data Security Law may be subject to an order to cease illegal activities, warnings, fines, suspension of business and revocation of business licenses or operating permits, and the personnel directly in charge or other directly responsible personnel may be imposed with fines.

On December 28, 2021, the CAC, together with certain other PRC governmental authorities, promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》) that replaced the previous version and took effect from February 15, 2022. Pursuant to these measures, the purchase of network products and services by a critical information infrastructure operator or the data processing activities of a network platform operator that affect or may affect national security will be subject to a cybersecurity review. The competent governmental authorities may also initiate a cybersecurity review against the operators if the authorities believe that the network product or service or data processing activities of such operators affect or may affect national security.

The Regulation on Network Data Security Management (《網絡數據安全管理條例》), which was promulgated on September 24, 2024 and became effective on January 1, 2025, aims to regulate network data processing activities, ensure the security of network data, promote the reasonable and effective use of network data in accordance with the law, protect the legitimate rights and interests of individuals and organizations, and safeguard national security and public interests. This regulation puts forward general requirements and provisions for network data security, further specifies rules concerning personal information protection, and fine-tunes mechanisms for the management of important data.

## REGULATIONS ON ANTI-UNFAIR COMPETITION AND ANTI-MONOPOLY

### Anti-unfair Competition

According to the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) promulgated by the SCNPC on September 2, 1993, which was last amended on April 23, 2019 and came into effect on the same day, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions set forth therein in its production and operating activities. Operators shall abide by the principle of voluntariness, equality, impartiality, integrity, as well as laws and business ethics during production and operating activities.

### Anti-Monopoly

According to the Anti-monopoly Law of the PRC (《中華人民共和國反壟斷法》) (the "**Anti-monopoly Law**") promulgated by the SCNPC on August 30, 2007, which was last amended on June 24, 2022 and came into effect on August 1, 2022, the monopolistic practices include any monopoly agreement reached by any operators, abuse of market-dominating position by any operators and any concentration of operators which has eliminated or limited or may eliminate or limit the market competition. Specifically, competing business operators may not enter into monopoly agreements that eliminate or restrict competition, such as by boycotting transactions, fixing or changing the price of commodities, limiting the number of output or selling of commodities, dividing the sales markets or the raw material procurement markets, unless the agreement will satisfy the exemptions under the Anti-Monopoly Law, such as improving technologies, increasing the efficiency and competitiveness of small and medium-sized enterprises, or safeguarding legitimate interests in cross-border trade and economic cooperation with foreign counterparts.

## REGULATIONS RELATED TO OVERSEAS SECURITIES OFFERING AND LISTING AND FULL CIRCULATION

On February 17, 2023, the China Securities Regulatory Commission (the "**CSRC**") promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**"), which took effect from March 31, 2023. The Overseas Listing Trial Measures reformed the regulatory regime for overseas securities offering and listing by domestic companies, into a filing-based system. Pursuant to the Overseas Listing Trial Measures, no overseas offering and listing shall be made under any of the following circumstances: (i) where such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) where the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) where the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or have undermined the order of socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigation for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

Initial public offerings or listings in overseas markets shall be filed with the CSRC within three business days after the relevant application is submitted overseas. The Overseas Listing Trial Measures also require subsequent reports to be filed with the CSRC upon the occurrence of any of the material events after an issuer has offered and listed securities in an overseas market, such as (i) change of control; (ii) investigations or sanctions imposed by overseas securities regulatory agencies or other relevant competent authorities; (iii) change of listing status or transfer of listing segment; and (iv) voluntary or mandatory delisting. Where an issuer's main business undergoes material changes after overseas offering and listing and is therefore beyond the scope of business stated in the filing documents, such issuer shall submit to the CSRC an ad hoc report and a relevant legal opinion issued by a domestic law firm within three business days after occurrence of the changes.

Furthermore, according to the Overseas Listing Trial Measures and their related guidelines, "Full circulation" represents the shareholders of domestic unlisted shares of domestic companies, which directly offer and list securities in overseas markets, converting its domestic unlisted shares into shares listed and traded on an overseas trading venue. The term "domestic unlisted shares" refers to shares offered by a domestic company but not listed or quoted for trading on any domestic trading venues. "Full circulation" shall comply with relevant regulations of the CSRC and the shareholders of domestic unlisted shares shall entrust the domestic company to report the "Full circulation" with CSRC by filing materials on certain key issues, including whether the "Full circulation" has fulfilled adequate internal decision-making procedures, necessary internal approvals and authorizations, and whether the "Full circulation" involves approval or filing procedures set out in the laws, regulations and policies for state-owned asset administration, industry supervision and foreign investment, and if so, whether such approval or filing procedures have been performed.

Failure to fulfill filing procedures or offering and listing securities in an overseas market in violation of the foregoing prohibitive provisions may subject PRC domestic companies to order rectification, warnings and a fine of RMB1 million to RMB10 million. Controlling shareholders and actual controllers of the domestic company that organize or instruct the aforementioned violations shall be imposed a fine of RMB1 million to RMB10 million. Directly liable persons-in-charge and other directly liable persons shall be each imposed a fine of RMB0.5 million to RMB5 million.

As advised by our PRC Legal Adviser, pursuant to the Overseas Listing Trial Measures and their related guidelines, this Global Offering is subject to the filing requirements of the CSRC. We are also required to fulfill the filing procedure with the CSRC in accordance with the Overseas Listing Trial Measures for the conversion of certain domestic unlisted shares into H Shares and the listing of the H Shares on the Stock Exchange. We submitted initial filing application to the CSRC on July 30, 2024 with respect to the submission of our application for the Listing and the conversion of certain domestic unlisted shares into H Shares and the listing of the H Shares on the Stock Exchange.

Furthermore, on February 24, 2023, the CSRC, together with certain other PRC governmental authorities, promulgated the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (the "**Confidentiality and Archives Administration Provisions**") (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), which came into effect on March 31, 2023. According to the Confidentiality and Archives Administration Provisions, PRC domestic companies that directly or indirectly conduct overseas offerings and listings, shall strictly abide by applicable PRC laws and regulations on confidentiality when providing or publicly disclosing, either directly or through their overseas listed entities, documents and materials to securities services providers such as securities companies and accounting firms or overseas regulators in the process of their overseas offering and listing. In the event such documents or materials contain state secrets or working secrets of government agencies, the PRC domestic companies shall first obtain approval from competent authorities according to law, and file with the secrecy administrative department at the same level; in the event that such documents or materials, if leaked, will jeopardize national security or public interest, the PRC domestic companies shall strictly fulfill relevant procedures stipulated by applicable national regulations. The PRC domestic companies shall also provide a written statement of the specific state secrets and sensitive information provided when providing documents and materials to securities companies and securities service providers, and the securities companies and securities service providers shall properly retain such written statements for inspection. Furthermore, the Confidentiality and Archives Administration Provisions also provide where overseas securities regulators and relevant competent overseas authorities request to inspect, investigate or collect evidence from PRC domestic companies concerning their overseas offering and listing or their securities firms and securities service providers that undertake securities business for such PRC domestic companies, such inspection, investigation and evidence collection must be conducted under a cross-border regulatory cooperation mechanism, and the CSRC or other competent authorities of the PRC government will provide necessary assistance pursuant to bilateral and multilateral cooperation mechanism. Domestic companies, securities firms and securities service providers shall first obtain approval from the CSRC or other competent PRC authorities before cooperating with the inspection and investigation by the overseas securities regulators or competent overseas authority or providing documents and materials requested in such inspection and investigation.

## REGULATIONS RELATED TO U.S. OUTBOUND INVESTMENT

On October 28, 2024, the U.S. Department of the Treasury issued a final rule on outbound investment, or the Final Rule, to implement the Executive Order 14105, "Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern" (August 9, 2023). The Final Rule became effective on January 2, 2025. The Final Rule imposes investment prohibition and notification requirements on U.S. persons for certain investments in entities associated with China (including Hong Kong and Macau) that are engaged in certain activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems, collectively defined as "Covered Foreign Persons." U.S. persons subject to the Final Rule are in some instances prohibited altogether from making, and in other instances required to report, certain investments in Covered Foreign Persons. Based on our internal due diligence that the artificial intelligence system we utilize is not (i) designed to be used for a military end use, or government intelligence or mass-surveillance end use, (ii) intended to be used for cybersecurity applications, digital forensic tools, penetration testing tools, or the control of robotic systems, or (iii) trained using computing power greater than the computational operations prescribed in the Final Rule, among other things, we believe we are not a "Covered Foreign Person" as defined in the Final Rule on the basis that our current business activities and operations do not involve the specified technologies in the set of technologies of concern. Therefore, the implementation of Final Rule has no impact on our business, financial condition and the results of operations.

## OVERVIEW

Our Company was established on February 26, 2019 as a limited liability company under the laws of the PRC, by Ms. Cao and Dr. Chen together with Jiangsu TAFEL, a power battery manufacturer in China, as a minority shareholder. From May 2020, our Company had been a wholly-owned subsidiary of Jiangsu TAFEL until the commencement of the Business Reorganization of our Group in December 2021. We completed the acquisition of Jiangsu TAFEL's business under common control as part of the business reorganization of our Group in February 2022, details of which are set out in "—Corporate Development and Major Shareholding Changes—3. Business Reorganization of Our Group" below.

Under the leadership of Ms. Cao and Dr. Chen, we have developed into a lithium-ion battery manufacturer in China, committed to developing a diverse portfolio of market-driven and technology-fueled battery products. For the biographies of Ms. Cao and Dr. Chen, see "Directors, Supervisors and Senior Management".

## OUR BUSINESS MILESTONES

The following table summarizes the key business development milestones of our Group:

| Year | Event |
|---|---|
| 2019 . . . . . . . . . . . | Our Company was established in the PRC. |
| 2021 . . . . . . . . . . . | Our Changshu Zenergy Base (Phase I) was put into operation. |
| 2022 . . . . . . . . . . . | Our Changshu Yinhe Base (Phase I) was put into operation. |
| | We were recognized as a China Unicorn Enterprise by the Great Wall Enterprise Institute (北京市長城企業戰略研究所) for the first time. |
| | We raised proceeds of RMB2,400 million from our Series A financing. |
| 2023 . . . . . . . . . . . | We implemented our forward-looking "5-3-1" R&D strategy. |
| | We launched our aviation battery products featuring high energy density, high safety, high discharge rate and ultra-fast charging capabilities. |
| | Our Changshu Zenergy Base (Phase II) was put into operation. |

| Year | Event |
|---|---|
| | We became the first EV battery company in China to receive AS9100D Aerospace Quality Management System recognition. |
| | We received an Outstanding Award for Energy Storage Applications at the SNEC International Energy Storage Exhibition (SNEC國際儲能展). |
| | We received IEC product certification and GB/T23001-2017 quality control certification. |
| | We completed the STAES Reorganization Transaction. |
| 2024 . . . . . . . . . . . | We signed cooperation agreement with the Intellectual Property Protection Center of Suzhou (蘇州市知識產權保護中心) and was accredited as a Suzhou Intellectual Property Protection Center Pre-examiner Practice Base. |
| | We received UL1642 and UL1973 product certifications for our 314Ah and 104Ah battery cells, respectively. |
| | We became CNAS-accredited. |
| | Our Company was converted into a joint stock limited liability company under the laws of the PRC. |
| | We raised proceeds of RMB1 billion from our Series B financing. |

## OUR SUBSIDIARIES

As of the Latest Practicable Date, we had five subsidiaries, all of which were established in the PRC and wholly owned by our Group. Details are set out below:

| Name of subsidiary | Date of establishment and commencement of business | Principal business activities |
|---|---|---|
| Suzhou ZENIO . . . . . . . . . . . . . . | December 5, 2016 | R&D, production and sales of power batteries and energy storage products |
| Nanjing Zenergy Battery Technologies Co., Ltd. (南京正力新能電池技術有限公司) . . | December 27, 2021 | Production and sales of power batteries and energy storage products |
| Dongguan Zenergy Battery Technologies Co., Ltd. (東莞正力新能電池技術有限公司) . . | December 27, 2021 | Production and sales of power batteries and energy storage products |
| Suzhou Zenergy Battery Technologies Co., Ltd. (蘇州正力新能電池科技有限公司) . . | May 22, 2024 | R&D, production and sales of power batteries and energy storage products |
| Changshu Sinogy Technologies Co., Ltd. (常熟新中源科技有限公司) . . . . . . . . . . . . . . . . . | March 3, 2025 | R&D of newly developed energy technologies and sales of batteries |

## CORPORATE DEVELOPMENT AND MAJOR SHAREHOLDING CHANGES

### 1. Establishment and Development of Suzhou ZENIO and Investment of Zenergy Investment in Jiangsu TAFEL

On December 5, 2016, Suzhou ZENIO was established with a registered capital of RMB150,000,000 and was held as to 65% by Zenergy Investment, a company co-founded and ultimately owned and controlled by Ms. Cao and Dr. Chen which is principally engaged in investment in the sector of core components of EV, and 35% by XPT (Nanjing) Energy Storage System Co., Ltd. (蔚然(南京)儲能技術有限公司) ("**XPT Nanjing**"), an Independent Third Party, respectively, as a joint venture. On February 24, 2022, XPT Nanjing transferred all of its 35% equity interests in Suzhou ZENIO to Zenergy Investment at a consideration of RMB92,697,289.36, which was determined after arm's length negotiations, taking into account the net book value of assets of Suzhou ZENIO at the time of the relevant transfer.

On February 11, 2019, Zenergy Investment made a minority investment in Jiangsu TAFEL by subscription of 6.78% of registered capital of Jiangsu TAFEL at a consideration of RMB160 million. On May 12, 2020, pursuant to the capital increase and transfer agreement entered into amongst the then shareholders of Jiangsu TAFEL, Zenergy Investment further acquired the controlling stake of Jiangsu TAFEL, increasing its equity interests to approximately 43.47% through subscription of the increased registered capital of Jiangsu TAFEL of RMB404,494,382 at a consideration of RMB1,080 million and transfer of registered capital of RMB7,490,637 held by Nanjing Miaode at a consideration of RMB20 million. The consideration for the aforementioned investments was determined after arm's length negotiations, taking into account the registered capital of Jiangsu TAFEL at the relevant time and the potential business development of Jiangsu TAFEL and its subsidiaries. Upon completion of acquisition of the controlling stake of Jiangsu TAFEL, Zenergy Investment was entitled with over two-thirds of the voting rights at the general meetings of Jiangsu TAFEL as it entered into an acting-in-concert agreement with minority shareholders of Jiangsu TAFEL in aggregate holding 23.67% of equity interests in Jiangsu TAFEL.

In February 2022, certain parts of Jiangsu TAFEL's business were acquired and reorganized under common control, and Suzhou ZENIO was acquired by our Company in February 2022, details of which are set out in "—3. Business Reorganization of Our Group" below.

**2. Establishment of Our Company, Initial Equity Transfer and Capital Increases**

On February 26, 2019, our Company was established as a limited liability company under the laws of the PRC with a registered capital of RMB200,000,000. Upon establishment, our Company was held as to 70% by Zenergy Investment and 30% by Jiangsu TAFEL.

On April 15, 2019, the registered capital of our Company was increased to RMB300,000,000, with the capital increase subscribed by Zenergy Investment and Jiangsu TAFEL in proportion to their respective equity interests.

On May 29, 2020, Zenergy Investment entered into an equity transfer agreement to transfer its entire 70% equity interests in our Company to Jiangsu TAFEL at a consideration of RMB238,350,000. Upon completion of the transfer, our Company became a wholly-owned subsidiary of Jiangsu TAFEL, which was in turn controlled by Ms. Cao and Dr. Chen through Zenergy Investment at the relevant time. The consideration was determined after arm's length negotiations, taking into account the registered capital of our Company at the time of the relevant transfer, and its net assets of approximately RMB293.82 million as at December 31, 2019 based on the audited accounts. On June 4, 2020, the registered capital of our Company was increased to RMB552,495,000, with the capital increase subscribed by Jiangsu TAFEL. At the time of the transfer, Jiangsu TAFEL was a company engaged in battery manufacturing with Ms. Cao and Dr. Chen as its controlling shareholders with aggregate equity interests of 43.5%. The transfer was effected in order to centralize and integrate the management of companies engaged in battery manufacturing under the common control of Ms. Cao and Dr. Chen.

On January 12, 2021, the registered capital of our Company was increased to RMB1,552,495,000, with the capital increase subscribed by Jiangsu TAFEL.

### 3. Business Reorganization of Our Group

From December 2021 to February 2022, with a view to enhance the awareness and outreach of our "Zenergy" brand and strategically streamline our operations, we reorganized our corporate group structure with the following principal steps (the "**Business Reorganization**"):

#### *(1) Acquisition of Our Company by the Shareholders of Jiangsu TAFEL*

On December 28, 2021, each of the then shareholders of Jiangsu TAFEL entered into an equity transfer agreement with Jiangsu TAFEL and our Company, pursuant to which all the then shareholders of Jiangsu TAFEL acquired Jiangsu TAFEL's 100% equity interest in our Company in proportion to their respective shareholding in Jiangsu TAFEL, at an aggregate consideration of RMB2,537,574,123. The consideration was determined after arm's length negotiations based on the valuation of the equity holder's interests of our Company appraised by an independent professional valuer as at October 31, 2021 and the increase of paid up capital of our Company after the valuation date and before the relevant equity transfers. Upon completion of the aforementioned equity transfers on December 30, 2021, our Company ceased to be a wholly-owned subsidiary of Jiangsu TAFEL.

The following table illustrates the shareholding structure of our Company immediately upon completion of such acquisition:

| Name of Shareholder | Amount of Registered Capital Held | Approximate Ownership Percentage |
|---|---|---|
| | *(RMB)* | |
| Zenergy Investment | 503,278,949 | 32.42% |
| Nanjing Miaode | 280,988,702 | 18.10% |
| Huafu Growth Investment Co., Ltd. (華福成長投資有限公司) (formerly known as Xingyin Investment Co., Ltd. (興銀投資有限公司)) ("**Huafu Investment**")(1) | 165,689,009 | 10.67% |
| Ningbo Meishan Free Trade Port Xingsi Shenglian Investment Partnership (L.P.) (寧波梅山保稅港區興思勝聯投資合夥企業(有限合夥)) ("**Xingsi Shenglian**")(1) | 108,390,811 | 6.98% |
| Wuxi Zhenghai Jinxi Venture Capital Partnership (L.P.) (無錫正海錦璽創業投資合夥企業(有限合夥)) ("**Wuxi Zhenghai**")(2) | 90,293,737 | 5.82% |
| Nanjing Xuande | 66,275,604 | 4.27% |
| Beijing Jiade Enterprise Management Partnership (L.P.) (北京佳得企業管理合夥企業(有限合夥)) ("**Beijing Jiade**")(3) | 63,205,616 | 4.07% |

| Name of Shareholder | Amount of Registered Capital Held | Approximate Ownership Percentage |
|---|---|---|
| | *(RMB)* | |
| Fujian Yaohua Industrial Village Development Co., Ltd. (福建省耀華工業村開發有限公司) ("**Fujian Yaohua**")(4) | 60,195,825 | 3.88% |
| Wukuang Yuanding Equity Investment Fund (Ningbo) Partnership (L.P.) (五礦元鼎股權投資基金(寧波)合夥企業(有限合夥)) ("**Wukuang Yuanding**")(5) | 54,176,243 | 3.49% |
| Gongqingcheng Shuanghe Zhenghua Investment Partnership (L.P.) (共青城雙禾正華投資合夥企業(有限合夥)) ("**Shuanghe Zhenghua**")(6) | 54,176,243 | 3.49% |
| Gongqingcheng Chenxi No. 12 Equity Investment Partnership (L.P.) (共青城晨熹十二號股權投資合夥企業(有限合夥)) ("**Chenxi No. 12**")(7) | 36,117,495 | 2.33% |
| Nanjing Lukou Konggang Investment Development Co., Ltd. (南京空港樞紐經濟區投資發展有限公司) ("**Nanjing Konggang**")(8) | 33,137,802 | 2.13% |
| Zhuhai Hengqin New Kinetic Energy Juyuan Investment Enterprise (L.P.) (珠海橫琴新動能聚元投資企業(有限合夥)) ("**Hengqin New Kinetic Energy**")(9) | 21,068,538 | 1.36% |
| Ma Shaodong (馬少棟)(10) | 12,039,166 | 0.78% |
| Zhengli Consulting(11) | 3,461,260 | 0.22% |
| **Total** | **1,552,495,000** | **100%** |

*Notes:*

(1) Xingsi Shenglian is a limited partnership established under the laws of the PRC on July 7, 2017 which is engaged in industrial investment and investment management. The general partner of Xingsi Shenglian is Zhongjin (Fujian) Venture Capital Co., Ltd. (中金(福建)創業投資有限責任公司), which is held as to 80% by Lin Yongzhong (林永忠), an Independent Third Party. Xingsi Shenglian is also held as to 99.9990% by Huafu Investment as its limited partner. Huafu Investment is a limited liability company established under the laws of the PRC on June 27, 2013. Huafu Investment conducts financial and equity investments, and is wholly-owned by Huafu Securities Co., Ltd. (華福證券有限責任公司), which is ultimately controlled by the Fujian Provincial Department of Finance (福建省財政廳).

(2) Wuxi Zhenghai is a limited partnership established under the laws of the PRC on July 27, 2020 which conducts venture capital investments. The general partner of Wuxi Zhenghai is Shanghai Royalsea Capital Management Ltd. (上海正海資產管理有限公司), which is held as to 51.36% by Wang Zhengdong (王正東), an Independent Third Party.

(3) Beijing Jiade is a limited partnership established under the laws of the PRC on March 18, 2021 which is primarily engaged in the areas of software development, technology development, consulting, exchange and transfer, as well as sales of machinery, equipment and computer systems. The general partner of Beijing Jiade is Beijing Weixiu Technology Co., Ltd. (北京衛秀科技有限公司), which is held as to 60% by Qiu Yuhang (裘宇航), an Independent Third Party.

(4) Fujian Yaohua is a limited liability company established under the laws of the PRC on May 30, 1992. It is primarily engaged in real estate development and operation, construction projects, property management, residential leasing and non-residential real estate leasing. Fujian Yaohua is held as to 73.56% by Sanyi Development Limited (三益發展有限公司), a limited liability company incorporated in Hong Kong (China) which is wholly-owned by Mr. Cho Tak Wong, the brother of Ms. Cao.

(5) Wukuang Yuanding is a limited partnership established under the laws of the PRC on May 28, 2018 which conducts private equity investments. The general partner of Wukuang Yuanding is Minmetals Innovation Equity Investment Fund Management (Ningbo) Co., Ltd. (五礦創新股權投資基金管理(寧波)有限公司), which is held as to 45.06% by Minmetals Innovation Investment Co., Ltd. (五礦創新投資有限公司). Minmetals Innovation Investment Co., Ltd. is indirectly wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) ("SASAC").

(6) Shuanghe Zhenghua is a limited partnership established under the laws of the PRC on December 13, 2021 which conducts equity, project and industrial investments. The general partner of Shuanghe Zhenghua is Gongqingcheng Zhenghua Chuanghuai Investment Partnership (L.P.) (共青城正華創懷投資合夥企業(有限合夥)), which is ultimately controlled by Zhuang Yingming (莊英銘), an Independent Third Party.

(7) Chenxi No. 12 is a limited partnership established under the laws of the PRC on December 2, 2021 which conducts equity, project and industrial investment and investment management. The general partner of Chenxi No. 12 is Jiaxing Chenxi Private Equity Fund Management Co., Ltd. (嘉興晨熹私募基金管理有限公司), which is held as to 80% by Li Jian (李健), an Independent Third Party.

(8) Nanjing Konggang is a limited liability company established under the laws of the PRC on July 8, 2004. Nanjing Konggang is primarily engaged in land and infrastructure development, construction, property management, information distribution and logistics-related services, and is held as to 65.53% by Nanjing Jiangning Economic and Technological Development Group Co., Ltd. (南京江寧經濟技術開發集團有限公司), which is in turn held as to 93.88% by Nanjing Jiangning Economic and Technological Development Zone Management Committee (南京江寧經濟技術開發區管理委員會).

(9) Hengqin New Kinetic Energy is a limited partnership established under the laws of the PRC on December 7, 2021 which conducts self-financed investments. The general partner of Hengqin New Kinetic Energy is Shenzhen Changsheng Private Equity Fund Management Co., Ltd. (深圳常盛私募股權基金管理有限公司) (formerly known as Ningbo Meishan Bonded Port Changsheng Private Equity Fund Management Co., Ltd. (寧波梅山保稅港區常盛私募基金管理有限公司)), which is held as to 95% by Jin Yinfeng (金銀鳳), an Independent Third Party, who also holds 24.71% of Hengqin New Kinetic Energy directly.

(10) Mr. Ma Shaodong is a private investor and an Independent Third Party.

(11) Zhengli Consulting is a limited liability company incorporated in the PRC on October 28, 2021 and is held by each of Ms. Cao and Dr. Chen as to 50%, respectively. On June 21, 2022, Zhengli Consulting transferred its entire 0.22% equity interest in our Company to Zhengli No. 1 at a consideration of RMB12,702,824 pursuant to the share purchase agreement dated May 13, 2022. Zhengli Consulting and Zhengli No. 1 are entities which are ultimately owned and/or controlled by Ms. Cao and/or Dr. Chen.

### *(2) Acquisition of Business from Jiangsu TAFEL Under Common Control*

On February 10, 2022, the then shareholders of Jiangsu TAFEL resolved to transfer its business and certain assets including properties, plant and equipment, other intangible assets and part of the inventories held by Jiangsu TAFEL and its subsidiaries to our Company and its subsidiaries. All liabilities except for provision for warranty claims were retained by Jiangsu TAFEL. Accordingly, relevant asset transfer agreements were entered into in February 2022 amongst Jiangsu TAFEL and its subsidiaries, and our Company and its subsidiaries to effect the aforementioned business acquisition and asset transfers at the total consideration of

RMB1,854,781,500, which was determined based on the valuation of such assets appraised by an independent professional valuer or the book value of the relevant assets, including part of the inventories which were still in the physical possession of Jiangsu TAFEL and not shipped out and could be used for further sale after the acquisition, at the relevant time. Jiangsu TAFEL no longer conducted any business operations since the acquisition of its business by our Group by the end of February 2022, which included the substantial completion of transfer of its employees to and assumption of its relationship with suppliers and customers by our Group.

***(3) Acquisition of Suzhou ZENIO from Zenergy Investment***

On February 25, 2022, Zenergy Investment transferred its entire 100% equity interests in Suzhou ZENIO to our Company at a consideration of RMB306,920,000, which was determined based on the valuation of equity holder interests appraised by an independent professional valuer as of December 31, 2021. According to Suzhou ZENIO's articles of association, important resolutions at its general meetings shall be passed with the affirmative votes by shareholders representing more than two-thirds of the voting rights in the company, and important board of directors' resolutions shall be passed with affirmative votes by directors representing more than three-fifths of the directors, while Zenergy Investment, one of our Controlling Shareholders, holds voting rights of 65% and three out of five seats of the board of directors therein, thereby it cannot control the general meetings and the board of directors of Suzhou ZENIO. Accordingly, Suzhou ZENIO was treated as a joint venture before the relevant acquisition by the Company, which was accounted for under acquisition accounting instead of merger accounting.

Our Directors consider that the Business Reorganization was conducted on normal commercial terms and is beneficial to the Group and the Shareholders as a whole. Suzhou ZENIO and certain parts of the business of Jiangsu TAFEL were acquired by the Group as part of the aforementioned business reorganization, and Jiangsu TAFEL's business was consolidated under merger accounting as set out in Note 2.1 to the Accountants' Report. The Business Reorganization does not violate the applicable PRC laws and regulations, and the relevant regulatory registrations or approvals necessary to effect the Business Reorganization had been obtained in accordance with the PRC laws and regulations.

**4. Transfer to and Capital Increase by the Equity Incentive Platforms**

In recognition of the contributions of our employees and to incentivize them to further promote our development, we adopted (i) the Share Option Plan approved on January 20, 2023 and effective from December 31, 2021, as amended from time to time, with Nanjing Xuande, Nanjing Mude, Nanjing Chengde, Nanjing Gande and Nanjing Yinde as the Equity Incentive Platforms; and (ii) the Share Incentive Plan on February 24, 2022, as amended from time to time, with Zhengli No. 1, Zhengli No. 2, Zhengli No. 3, Zhengli No. 4, Zhengli No. 5, Zhengli No. 6, Zhengli No. 7, Zhengli No. 8 and Zhengli No. 9 as the Equity Incentive Platforms.

On June 21, 2022, Zhengli Consulting transferred RMB3,461,260 of the registered capital of our Company to Zhengli No. 1 for employee incentive purpose at a consideration of RMB12,702,824. The consideration was determined based on the subscription price of Zhengli Consulting's investment in Jiangsu TAFEL at the relevant time. On the same date, the registered capital of our Company was increased to RMB1,572,495,000, with the additional registered capital of RMB20,000,000 subscribed by Zhengli No. 2 which was reserved for employee incentive purpose.

For further details of the Share Option Plan and the Share Incentive Plan and the structure of our Equity Incentive Platforms, see "Statutory and General Information—Pre-IPO Equity Incentive Plans" in Appendix IV to this Prospectus.

**5. Pre-IPO Investments**

We underwent rounds of Pre-IPO Investments through the subscription of our increased registered capital by our Pre-IPO Investors and equity transfers among our existing shareholders and the Pre-IPO Investors. See "—Pre-IPO Investments" below for details.

**6. Conversion into a Joint Stock Limited Company**

On June 18, 2024, resolutions were passed at our shareholders' general meeting approving, among other matters, (i) the conversion of our Company from a limited liability company into a joint stock limited company under the laws of the PRC, (ii) the change of our corporate name to Jiangsu Zenergy Battery Technologies Group Co., Ltd. (江蘇正力新能電池技術股份有限公司), and (iii) the conversion of the net asset value of our Company as of February 29, 2024 into 2,255,935,152 Shares of our Company, with the remaining RMB3,066,334,982.75 in net assets included as capital reserves of our Company.

Upon completion of the conversion, the registered capital of our Company became RMB2,255,935,152 divided into 2,255,935,152 Shares with a nominal value of RMB1.00 each, which were subscribed by all the then Shareholders in proportion to their respective equity interests in our Company before the conversion. The conversion was completed on July 17, 2024 when our Company obtained a new business license.

Immediately after the conversion into a joint stock company, details of the Shareholders were as follows:

| Name of Shareholder | Number of Shares Held | Approximate Shareholding Percentage |
|---|---|---|
| Zenergy Investment(1) | 460,690,543 | 20.42% |
| SINOGY VC(1) | 368,941,151 | 16.35% |
| Nanjing Miaode(1) | 237,152,124 | 10.51% |
| Huafu Investment | 165,689,009 | 7.34% |

| Name of Shareholder | Number of Shares Held | Approximate Shareholding Percentage |
|---|---|---|
| Changshu Southeast Industrial Investment Co., Ltd. (常熟東南產業投資有限公司) ("**Southeast Investment**") | 119,902,744 | 5.32% |
| Xingsi Shenglian | 108,390,811 | 4.80% |
| Wuxi Zhenghai | 90,293,737 | 4.00% |
| Fujian Yaohua | 60,195,825 | 2.67% |
| Tianjin Haisong Chaoyue Equity Investment Partnership (L.P.) (天津海松超越股權投資合夥企業(有限合夥)) ("**Oceanpine Capital**") | 58,968,563 | 2.61% |
| Nanjing Xuande[(1)] | 55,663,715 | 2.47% |
| Wukuang Yuanding | 54,176,243 | 2.40% |
| Shuanghe Zhenghua | 54,176,243 | 2.40% |
| Beijing Jiade | 44,816,795 | 1.99% |
| Suzhou Zhongjin SAIC Emerging Industry Equity Investment Fund Partnership (L.P.) (蘇州中金上汽新興產業股權投資基金合夥企業(有限合夥)) ("**CICC SAIC Investment**") | 39,312,375 | 1.74% |
| Chenxi No. 12 | 36,117,495 | 1.60% |
| Nanjing Konggang | 33,137,802 | 1.47% |
| Changshu Southeast Xinneng Equity Investment Partnership (L.P.) (常熟東南新能股權投資合夥企業(有限合夥)) ("**Southeast Xinneng**") | 26,208,250 | 1.16% |
| Xiamen C&D Emerging Industry Equity Investment No. 2 Partnership (L.P.) (廈門建發新興產業股權投資貳號合夥企業(有限合夥)) ("**C&D Investment**") | 26,208,250 | 1.16% |
| Chuanghe Xincai (Xiamen) Manufacturing Transformation and Upgrading Fund Partnership (L.P.) (創合鑫材(廈門)製造業轉型升級基金合夥企業(有限合夥)) ("**Chuanghe Xincai**") | 26,208,250 | 1.16% |
| Tianjin Juxin Xihai Equity Investment Partnership (L.P.) (天津聚信西海股權投資合夥企業(有限合夥)) ("**Juxin Xihai**") | 26,208,250 | 1.16% |
| Hengqin New Kinetic Energy | 21,068,538 | 0.93% |
| Beijing Lianhe Jiaying Enterprise Management Partnership (L.P.) (北京聯和嘉盈企業管理合夥企業(有限合夥)) ("**Lianhe Jiaying**") | 20,966,600 | 0.93% |
| Zhengli No. 2[(1)] | 20,000,000 | 0.89% |
| Xingzheng Capital Management Co., Ltd. (興證投資管理有限公司) ("**China Industrial Securities Investment Management**") | 17,799,962 | 0.79% |

| Name of Shareholder | Number of Shares Held | Approximate Shareholding Percentage |
|---|---|---|
| Jiaxing Chenyue Equity Investment Partnership (L.P.) (嘉興宸玥股權投資合夥企業(有限合夥)) (formerly known as Jiaxing Jianxin Chenyue Equity Investment Partnership (L.P.) (嘉興建信宸玥股權投資合夥企業(有限合夥))) ("**Jiaxing Chenyue**") | 17,035,363 | 0.76% |
| Anhui Haichuang Green Equity Investment Fund (L.P.) (安徽海創綠色股權投資基金(有限合夥)) ("**Anhui Haichuang**") | 13,104,125 | 0.58% |
| CHENGTUN MINING GROUP CO. LTD (盛屯礦業集團股份有限公司) ("**Chengtun Mining**") | 13,104,125 | 0.58% |
| Xiamen ITG Group Corp., Ltd. (廈門國貿產業發展股權投資基金合夥企業(有限合夥)) ("**Xiamen ITG Group**") | 13,104,125 | 0.58% |
| Ma Shaodong | 12,039,166 | 0.53% |
| Zhongtai Ronghao (Xiamen) Investment Partnership (L.P.) (中泰融灝(廈門)投資合夥企業(有限合夥)) (formerly known as Huzhou Ronghao Equity Investment Partnership (L.P.) (湖州融灝股權投資合夥企業(有限合夥))) ("**Zhongtai Ronghao**") | 9,172,888 | 0.41% |
| Zhengli No. 1[(1)] | 3,461,260 | 0.15% |
| Nanjing Heyi Science and Technology Innovation Investment Partnership (L.P.) (南京合翼科技創新投資合夥企業(有限合夥)) (formerly known as Nanjing Jianxin Heyi Science and Technology Innovation Investment Partnership (L.P.) (南京建信合翼科技創新投資合夥企業(有限合夥))) ("**Nanjing Heyi**") | 2,620,825 | 0.12% |
| **Total** | **2,255,935,152** | **100%** |

*Note:*

(1) Each of Zenergy Investment, SINOGY VC, Nanjing Miaode, Nanjing Xuande, Zhengli No. 1 and Zhengli No. 2 is an entity ultimately owned and/or controlled by Ms. Cao and/or Dr. Chen in the following manner:

- Zenergy Investment is a limited liability company established under the laws of the PRC and held as to 46%, 42% and 12% by Dr. Chen, Ms. Cao and SINOGY VC, respectively.
- SINOGY VC is held as to 52% and 48% by Ms. Cao and Dr. Chen, respectively.
- Nanjing Miaode and Nanjing Xuande are limited partnerships established under the laws of the PRC; the general partner of each of them is Zhengli Consulting holding 0.01% partnership interests therein, which is in turn held as to 50% by each of Ms. Cao and Dr. Chen. Nanjing Miaode is held as to 99.99% by six limited partners who are Independent Third Parties with its largest limited partner Long Huijin holding 40% of partnership interests therein. Save for aforementioned and to the best of knowledge of the Company, none of the limited partners of Nanjing Miaode holds more than one-third of partnership interests therein.
- Zhengli No. 1 and Zhengli No. 2 are limited partnerships established under the laws of the PRC, each of which have Ms. Cao and Dr. Chen as the general partners. Save for 20.79% partnership interests held by Ms. Cao in Zhengli No. 1, each of Ms. Cao and Dr. Chen holds 0.01% partnership interests in Zhengli No. 1 and Zhengli No. 2.

## MAJOR ACQUISITION

In November 2023, with a view to reorganizing the shareholding structure of STAES, the Company entered into an equity transfer agreement with SINOGY VC to acquire 50% of the equity interests in STAES held by SINOGY VC (the "**STAES Reorganization Transaction**"). The rationale for the STAES Reorganization Transaction was to advance the business development strategies of our Group, resolve any potential competition issue which may arise from operating in the same industry between SINOGY VC, one of our Controlling Shareholders and a former shareholder of STAES prior to the STAES Reorganization Transaction, and us, as well as promote and maintain our cooperation with Toyota Motor Corporation and Toyota Motor (China) Investment Co., Ltd.

STAES was established as a limited liability company under the laws of the PRC on November 12, 2013, and is primarily engaged in the manufacturing, development and sale of Lithium-Ion and Ni-MH battery packs for use in vehicles. See "Business—Our Competitive Strengths" for more details about the business of STAES. SINOGY VC was established as a limited liability company under the laws of the PRC on March 15, 2013, and is primarily engaged in the investment management and consulting. SINOGY VC is held as to 52% and 48% by Ms. Cao and Dr. Chen, respectively.

The consideration for the STAES Reorganization Transaction, being a combination of cash and increase in registered capital of our Company subscribed by SINOGY VC, amounted to approximately RMB3.3 billion, and was determined after arm's length negotiations between the parties with reference to the valuation of STAES' equity interests as of June 30, 2023 by an independent valuer, as well as the realized distributable profits attributable to SINOGY VC from January to June 2023. The consideration for the transaction comprised (i) approximately RMB2.8 billion, in the form of SINOGY VC's subscription of the additional registered capital of the Company in the amount of RMB368,941,151 at the price of approximately RMB7.63 per Share, which was the post-investment price per Share after the Company's Series A financing, and (ii) RMB496 million in cash.

The STAES Reorganization Transaction was completed in December 2023, upon which STAES was held as to 50%, 35%, 10% and 5% by the Company, Toyota Motor Corporation, Toyota Battery Co., Ltd. (豐田電池有限公司) (formerly known as Primearth EV Energy 株式会社) and Toyota Motor (China) Investment Co., Ltd. (豐田汽車(中國)投資有限公司), respectively. As disclosed in Part III of the Accountants' Report in Appendix I to this Prospectus, STAES is considered a material joint venture of the Group and is accounted for using the equity method.

Pursuant to Rule 4.05A of the Listing Rules, the STAES Reorganization Transaction, which occurred during the Track Record Period, would have been classified as a major transaction under Chapter 14 of the Listing Rules at the date of the Company's application for Listing. Please refer to Part III of the Accountants' Report in Appendix I to this Prospectus for the financial information of STAES from the commencement of the Track Record Period to the date of completion of the STAES Reorganization Transaction.

The STAES Reorganization Transaction has been properly and legally completed and settled, and STAES has obtained all necessary approvals from competent authorities or made all necessary registration or filings with the relevant local branch of the SAMR in respect of the STAES Reorganization Transaction.

Save as disclosed above, we did not conduct any other acquisitions, disposals or mergers that we consider to be material to us during the Track Record Period and up to the Latest Practicable Date.

## PRE-IPO EQUITY INCENTIVE PLANS

We adopted the Pre-IPO Equity Incentive Plans, details of which are set forth in "Statutory and General Information—Pre-IPO Equity Incentive Plans" in Appendix IV to this Prospectus. As of the date of this Prospectus, all options or awards subject to the Pre-IPO Equity Incentive Plans were granted to, vested in, and subscribed for by the specified participants. No further options or awards will be granted under the Pre-IPO Equity Incentive Plans following the Listing.

## REASONS FOR THE LISTING

Our Company is seeking a listing of its H Shares on the Stock Exchange in order to raise further capital for the development of our business and expansion of our manufacturing capacity, to strengthen our business profile and expand our global presence. For details of our future plans, please refer to the section headed "Future Plans and Use of Proceeds" in this Prospectus.

## PRE-IPO INVESTMENTS

### 1. Overview

Details of the Pre-IPO Investments in our Company are set forth below:

| No. | Round | Form of investment | Date of initial investment agreement | Date of full settlement of consideration | Pre-IPO Investor[1] | Registered capital subscribed for | Amount of consideration paid | Total funds raised by our Company | Post-money valuation of our Company[2] (approx.) | Cost per Share[3] (approx.) | Discount to the H Share Offer Price[4] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | *(RMB)* | *(RMB)* | *(RMB billion)* | *(RMB billion)* | *(RMB)* | |
| 1. . . . | Series A | Subscription of increased registered capital by cash | July 13, 2022 | July 22, 2022 | Oceanpine Capital | 58,968,563 | 450,000,000 | 2.4 | 14.40 | 7.63 | 0.03% |
| | | | | | Nanjing Jiangning[5] | 57,658,150 | 440,000,000 | | | | |
| | | | | | CICC SAIC Investment | 39,312,375 | 300,000,000 | | | | |
| | | | | | Southeast Xinneng | 26,208,250 | 200,000,000 | | | | |
| | | | | | Chuanghe Xincai | 26,208,250 | 200,000,000 | | | | |
| | | | | | C&D Investment | 26,208,250 | 200,000,000 | | | | |
| | | | | | Juxin Xihai | 26,208,250 | 200,000,000 | | | | |
| | | | | | Lianhe Jiaying | 20,966,600 | 160,000,000 | | | | |
| | | | | | Jiaxing Chenyue | 17,035,363 | 130,000,000 | | | | |
| | | | | | Xiamen ITG Group | 13,104,125 | 100,000,000 | | | | |
| | | | | | Nanjing Heyi | 2,620,825 | 20,000,000 | | | | |

| No. | Round | Form of investment | Date of initial investment agreement | Date of full settlement of consideration | Pre-IPO Investor[1] | Registered capital subscribed for | Amount of consideration paid | Total funds raised by our Company | Post-money valuation of our Company[2] (approx.) | Cost per Share[3] (approx.) | Discount to the H Share Offer Price[4] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | *(RMB)* | *(RMB)* | *(RMB billion)* | *(RMB billion)* | *(RMB)* | |
| 2. . . | Acquisition of registered capital by Pre-IPO Investors from December 2022 to January 2024 | Acquisition of registered capital from existing shareholder Nanjing Miaode | September 20, 2022 | October 13, 2022 | Anhui Haichuang | 13,104,125 | 100,000,000 | N/A | 14.40 | 7.63 | 0.03% |
| | | | | | Chengtun Mining | 13,104,125 | 100,000,000 | | | | |
| | | | | | China Industrial Securities Investment Management | 17,628,328 | 134,525,030 | | | | |
| | | Acquisition of registered capital from existing shareholder Nanjing Xuande | September 20, 2022 | November 3, 2022 | China Industrial Securities Investment Management | 171,634 | 1,309,776 | N/A | 14.40 | 7.63 | 0.03% |
| | | | | | Zhongtai Ronghao | 9,172,888 | 70,000,000 | | | | |
| | | | | | Beijing Jiade | 1,267,367 | 9,671,512 | | | | |
| | | Acquisition of registered capital from existing shareholder Nanjing Jiangning | July 26, 2023 | August 2, 2023 | SINOGY VC | 57,658,150 | 456,539,062.50 | N/A | 14.40 | 7.63[6] | 0.03% |
| | | Acquisition of registered capital from existing shareholder Beijing Jiade | October 15, 2023 | December 21, 2023 | SINOGY VC | 19,656,188 | 150,000,000 | N/A | 14.40 | 7.63 | 0.03% |
| | | Acquisition of registered capital from SINOGY VC | November 1, 2023 | January 16, 2024 | Southeast Investment | 77,314,338 | 590,000,000 | N/A | 14.40 | 7.63 | 0.03% |
| | | Acquisition of registered capital from Zenergy Investment | November 1, 2023 | January 16, 2024 | Southeast Investment | 42,588,406 | 325,000,000 | N/A | 14.40 | 7.63 | 0.03% |

| No. | Round | Form of investment | Date of initial investment agreement | Date of full settlement of consideration | Pre-IPO Investor[(1)] | Registered capital subscribed for | Amount of consideration paid | Total funds raised by our Company | Post-money valuation of our Company[(2)] (approx.) | Cost per Share[(3)] (approx.) | Discount to the H Share Offer Price[(4)] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | *(RMB)* | *(RMB)* | *(RMB billion)* | *(RMB billion)* | *(RMB)* | |
| 3. . . | Series B | Subscription of increased registered capital by cash | July 24, 2024 | August 1, 2024 | SINOGY VC | 13,104,125 | 100,000,000 | 1.0 | 18.2[(7)] | 7.63 | 0.03% |
| | | | | | Southeast Investment Holding (defined below) | 78,624,750 | 600,000,000 | | | | |
| | | | | | Suchuang Energy Investment (defined below) | 26,208,250 | 200,000,000 | | | | |
| | | | | | Dou Yulin | 6,552,063 | 50,000,000 | | | | |
| | | | | | Wu Yafeng | 6,552,063 | 50,000,000 | | | | |

*Notes:*

(1) For the details of the Pre-IPO Investors, please refer to "—5. Information about the Pre-IPO Investors" in this section.

(2) The post-money valuation of our Company equals the total consideration paid by the Pre-IPO Investors in each round of the Pre-IPO Investments, divided by the ownership or shareholding percentage of the Pre-IPO Investors immediately after the Pre-IPO Investment, save for the transfer between Nanjing Jiangning and SINOGY VC.

(3) The cost per unit of registered capital or Share paid by each Pre-IPO Investor was calculated based on the amount of investment made and amount of registered capital or number of Shares held by the Pre-IPO Investor immediately after the Pre-IPO Investment, save for the transfer between Nanjing Jiangning and SINOGY VC.

(4) The discount to the H Share Offer Price is calculated based on the Offer Price of HK$8.27 per Offer Share.

(5) Nanjing Jiangning Economic Development Industrial Equity Investment Partnership Enterprise (L.P.) (南京江寧經開產業股權投資合夥企業(有限合夥)) ("**Nanjing Jiangning**") is a limited partnership established under the laws of the PRC which is engaged in investments for technological economic development. The general partner of Nanjing Jiangning is Nanjing Jiangning Development Zone Fund Management Co., Ltd. (南京江寧經開私募基金管理有限公司), which is indirectly wholly-owned by the State-owned Assets Supervision and Administration Office of Nanjing Jiangning Economic and Technological Development Zone (南京江寧經濟技術開發區國有資產監督管理辦公室), an Independent Third Party.

(6) The paid consideration for such transfer includes payment of interests for Nanjing Jiangning's investment in our Company as mutually agreed between the parties therein with the cost per Share being approximately RMB7.92.

(7) The post-money valuation of our Company after the Series B Pre-IPO Investments have taken into account the fact that the registered capital of the Company had been increased from RMB1,886,994,001 to RMB2,255,935,152 after the Series A financing and before the Series B financing, with the increased registered capital of RMB368,941,151 subscribed for by SINOGY VC as part of the consideration of the STAES Reorganization Transaction. See "—Major Acquisition" above for details.

**2. Principal Terms of the Pre-IPO Investments**

| | |
|---|---|
| Basis of determining the valuation and consideration paid | The determination of the valuation and consideration is based on arm's length negotiations between the relevant parties with reference to among others, (i) the timing and market conditions of the investments/equity transfers and the market value of comparable companies at the relevant time, (ii) the operation of our business, the financial performance of our Group at the relevant time/period, and (iii) the prospects of our business. |
| Lock-up | Pursuant to the applicable PRC law, within the 12 months following the Listing Date, the Shares issued by the Company prior to the Global Offering (including the Shares held by the Pre-IPO Investors immediately prior to the Global Offering) are restricted from transfer. |
| Use of proceeds from the Pre-IPO Investments | We utilized the proceeds from the Pre-IPO Investments for the operations, business expansion and general working capital purpose of our Group. As of the Latest Practicable Date, approximately 77.9% of the funds raised from the Pre-IPO Investments have been utilized. |
| Strategic benefit of the Pre-IPO Investments to our Group | At the time of each of the Pre-IPO Investments, our Directors were of the view that our Company could benefit from the capital raised through the Pre-IPO Investments, the Pre-IPO Investors' knowledge and experience, and the endorsement of and confidence in the Group's performance, strength and prospects reflected by the Pre-IPO Investments. Additionally, investments from the Pre-IPO Investors, including state-owned enterprises which are ultimately owned by the local governments, participant(s) of our upstream and downstream industrial chain and professional investment companies or professional funds, are beneficial to business development of our Group and could also diversify our shareholding structure and Shareholders base. |

### 3. Special Rights of the Pre-IPO Investors

Certain Pre-IPO Investors have been granted certain special rights in relation to our Company, including, among others, rights of first refusal, anti-dilution rights, co-sale rights, no more favorable terms, redemption rights, information rights, recommendation rights and appointment rights of observer to the board. Pursuant to a termination agreement entered into on July 23, 2024 amongst others, all Shareholders with special rights, before the date of our first submission of listing application to the Stock Exchange, and as confirmed by our Directors, the redemption rights and anti-dilution rights were terminated and invalidated with retroactive effect from the date of grant of such rights, and all other shareholders' special rights granted shall be terminated with immediate effect.

### 4. Joint Sponsors' Confirmation

On the basis that (i) the Listing Date, being the first day of trading of the H Shares on the Stock Exchange, will take place no earlier than 120 clear days after completion of the Pre-IPO Investments; and (ii) the special rights of the Pre-IPO Investors have been terminated as disclosed in "—Special Rights of the Pre-IPO Investors" above, the Joint Sponsors confirm that the Pre-IPO Investments are in compliance with the Pre-IPO Investment Guidance as defined in Chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange.

### 5. Information about the Pre-IPO Investors

The background information of our Pre-IPO Investors is set out below.

***Southeast Investment Holding, Southeast Investment and Southeast Xinneng***

Changshu Southeast Investment Holding Co., Ltd. (常熟市東南投資控股有限公司) ("**Southeast Investment Holding**") is a limited liability company established under the laws of the PRC on October 14, 2022, of which Mr. Hong Ping (洪平), our Supervisor, is a director. Southeast Investment Holding conducts self-financed investments and venture capital private investments, as well as provides asset management and consultancy services, and is indirectly wholly-owned by the Changshu Finance Bureau (State-owned Assets Supervision and Administration Office of Changshu Municipal Government) (常熟市財政局(常熟市政府國有資產監督管理辦公室)) ("**Changshu SASAC**").

Southeast Investment is a limited liability company established under the laws of the PRC on May 21, 2020. Southeast Investment conducts venture capital and equity investments, and is held as to 99.96% by Southeast Investment Holding.

Southeast Investment holds 99.01% of Southeast Xinneng as its limited partner. Southeast Xinneng is a limited partnership established under the laws of the PRC on June 1, 2022 which conducts venture capital and equity investments. The general partner of Southeast Xinneng is Minmetals Innovation Investment Co., Ltd. (五礦創新投資有限公司), which is indirectly wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) ("**SASAC**").

***Anhui Haichuang***

Anhui Haichuang is a limited partnership established under the laws of the PRC on March 9, 2022 which is primarily engaged in private equity investment, focusing on equity investment, investment management and asset management.

The general partner of Anhui Haichuang is Shanghai Royalsea Capital Management Ltd. (上海正海資產管理有限公司), which is held as to 51.36% by Wang Zhengdong (王正東), an Independent Third Party.

***Oceanpine Capital***

Oceanpine Capital is a limited partnership established under the laws of the PRC on May 13, 2022. The general partner of Oceanpine Capital is Oceanpine (Beijing) Private Equity Fund Management Co., Ltd. (海松領航(北京)私募基金管理有限公司), an institutional growth equity investment company and 60% of which is held by Lin Yan (林燕) and 40% of which is held by Tianhong Century Co., Ltd. (天弘世紀有限公司), which is in turn held as to 55% by Lin Qing (林清) and 45% by Lin Yunsheng (林云生), respectively. Lin Yan, Lin Qing as well as Lin Yunsheng are all Independent Third Parties.

***Lianhe Jiaying***

Lianhe Jiaying is a limited partnership established under the laws of the PRC on September 2, 2020 which is engaged in, among others, enterprise management, market research, consultancy, as well as sales of computers, software and auxiliary equipment. The general partner of Lianhe Jiaying is Beijing Jintongwei Technology Group Co., Ltd. (北京金桐為是科技集團有限公司), which is ultimately controlled by Qiu Yuhang (裘宇航), an Independent Third Party.

***CICC SAIC Investment***

CICC SAIC Investment is a limited partnership established under the laws of the PRC on March 11, 2021 which is focused on, among others, private equity and venture capital fund management and information consulting services. The general partner of CICC SAIC Investment is CICC Capital Management Co., Ltd. (中金資本運營有限公司),

which is wholly-owned by China International Capital Corporation Limited (中國國際金融股份有限公司), a joint stock company incorporated in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 601995) and the Hong Kong Stock Exchange (stock code: 3908).

***C&D Investment***

C&D Investment is a limited partnership established under the laws of the PRC on June 27, 2016. C&D Investment is engaged in the management of non-securities equity investments and conducts asset and investment management, as well as investments in primary, secondary and tertiary industries. The general partner of C&D Investment is Xiamen Jianxin Investment Co., Ltd. (廈門建鑫投資有限公司), which is held as to 51% by Xiamen Jianxing Capital Enterprise Management Consulting Co., Ltd. (廈門建興資本企業管理諮詢有限公司), which is in turn held as to 51% and 49% by Cai Xiaofan (蔡曉帆) and Li Yan (李岩), respectively. Each of Cai Xiaofan and Li Yan is an Independent Third Party.

Xiamen Jianxin Investment Co., Ltd is also held as to 49% by Xiamen C&D Emerging Venture Capital Co., Ltd. (廈門建發新興創業投資有限公司), which is wholly-owned by Xiamen C&D Emerging Industry Equity Investment Co., Ltd. (廈門建發新興產業股權投資有限責任公司).

Xiamen C&D Emerging Industry Equity Investment Co., Ltd., which also holds approximately 99.98% of C&D Investment, is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Xiamen Municipal People's Government (廈門市人民政府國有資產監督管理委員會) ("**Xiamen SASAC**").

***Chuanghe Xincai***

Chuanghe Xincai is a limited partnership established under the laws of the PRC. Xiamen Chuanghe Luxiang Investment Management Co., Ltd. (廈門創合鷺翔投資管理有限公司) is a limited liability company established under the laws of the PRC and is the general partner of Chuanghe Xincai, and its largest single shareholder is SDIC Unity Capital Co., Ltd. (國投創合基金管理有限公司), which is ultimately controlled by State Development and Investment Corporation (國家開發投資集團有限公司), a state-owned investment holding company in China, and an Independent Third Party.

***Juxin Xihai***

Juxin Xihai is a limited partnership established under the laws of the PRC on September 14, 2017 which conducts investment management. The general partner of Juxin Xihai is Tianjin Jushun Investment Management Co., Ltd. (天津聚順投資管理有限公司), which is indirectly wholly-owned by CITIC Limited (中國中信股份有限公司), a public company limited by shares incorporated in Hong Kong (China) whose shares are listed on the Hong Kong Stock Exchange (stock code: 267).

***China Industrial Securities Investment Management***

China Industrial Securities Investment Management is a limited liability company established under the laws of the PRC on March 17, 2015. China Industrial Securities Investment Management conducts financial products, equity and project investment, and is wholly-owned by Industrial Securities Co., Ltd. (興業證券股份有限公司), a joint stock company incorporated in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 601377).

***Jiaxing Chenyue and Nanjing Heyi***

Jiaxing Chenyue is a limited partnership established under the laws of the PRC on August 18, 2020 which conducts equity and industrial investments, as well as investment consulting.

Nanjing Heyi is a limited partnership established under the laws of the PRC on June 29, 2020 which conducts equity investment, investment and asset management, and venture capital activities.

The general partner of Jiaxing Chenyue and Nanjing Heyi is CCB Investment Funds Management Co., Ltd. (建信(北京)投資基金管理有限責任公司), which is ultimately controlled by China Construction Bank Corporation (中國建設銀行股份有限公司), a joint stock company incorporated in the PRC whose shares are listed on the Shanghai Stock Exchange (stock code: 601939) and the Hong Kong Stock Exchange (stock code: 939).

***Chengtun Mining***

Chengtun Mining is a joint stock company established under the laws of the PRC on January 14, 1997 and headquartered in Xiamen. Chengtun Mining is committed to development and utilization of the non-ferrous metal resources, with a focus on copper, cobalt, and nickel, which are all in high demand by the new energy industry, and its shares are listed on the Shanghai Stock Exchange (stock code: 600711).

***Xiamen ITG Group***

Xiamen ITG Group is a limited partnership established under the laws of the PRC on July 10, 2020 which conducts equity investments, investment and asset management and self-financed investments. The general partner of Xiamen ITG Group is Guoxing (Xiamen) Private Equity Fund Management Co., Ltd. (國興(廈門)私募基金管理有限公司), which is held as to 34%, 33% and 33% by Xiamen Mingde Investment Partnership Enterprise (L.P.) (廈門明德投資合夥企業(有限合夥)), China SDIC Gaoxin Industrial Investment Corp. Ltd. (中國國投高新產業投資有限公司) and Xiamen Guomao Huarui Investment Co., Ltd. (廈門國貿華瑞投資有限公司), respectively.

The general partner of Xiamen Mingde Investment Partnership Enterprise (L.P.) is Zhang Jiemin (張潔民), an Independent Third Party; China SDIC Gaoxin Industrial Investment Corp. Ltd. is ultimately controlled by SASAC; and Xiamen Guomao Huarui Investment Co., Ltd. is indirectly wholly-owned by Xiamen SASAC.

***Zhongtai Ronghao***

Zhongtai Ronghao is a limited partnership established under the laws of the PRC on October 22, 2019 which conducts self-financed investments. The general partner of Zhongtai Ronghao is Beijing Zhongtai Renhe Fund Management Co., Ltd. (北京中泰仁和基金管理有限公司), which is primarily engaged in investment management and consulting for non-securities business. Beijing Zhongtai Renhe Fund Management Co., Ltd. is held as to 51% and 49% by Han Sen (韓森) and Wang Wei (王瑋), respectively. Each of Han Sen and Wang Wei is an Independent Third Party.

***Suchuang Energy Investment***

Suzhou Suchuang Energy Investment Partnership (L.P.) (蘇州蘇創新能源投資合夥企業(有限合夥)) ("**Suchuang Energy Investment**") is a limited partnership established under the laws of the PRC on October 17, 2023 which conducts venture capital investments and R&D of emerging energy technologies. The general partners of Suchuang Energy Investment are (i) Suzhou International Development Venture Capital Holding Co., Ltd. (蘇州國發創業投資控股有限公司), which is held as to 94.74% by Suzhou Innovation Investment Group Co., Ltd. (蘇州創新投資集團有限公司), and (ii) Changshu Guofa Venture Capital Co., Ltd. (常熟市國發創業投資有限公司), which is ultimately wholly owned by Changshu SASAC. Suzhou Innovation Investment Group Co., Ltd. is held as to 91.67% by Suzhou International Development Group Co., Ltd. (蘇州國際發展集團有限公司), which is in turn wholly-owned by the Suzhou Finance Bureau (蘇州市財政局).

***Dou Yulin***

Mr. Dou Yulin (竇玉林) is a private investor and an Independent Third Party.

***Wu Yafeng***

Ms. Wu Yafeng (吳雅鳳) is a private investor and an Independent Third Party.

**PUBLIC FLOAT**

1,069,127,364 Shares held by all existing Shareholders, representing approximately 42.62% of our total issued Shares upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), will not be considered as part of the public float following the completion of the Global Offering as they are Unlisted Shares which will not be converted into H Shares.

Following the conversion of the Unlisted Shares into H Shares and upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised):

(a) a total of 908,506,732 H Shares held by our core connected persons will not be counted towards the public float, representing 36.22% of our share capital in aggregate, including, amongst others, (i) Zenergy Investment and SINOGY VC, being our substantial Shareholders; (ii) Nanjing Miaode and Nanjing Xuande, which are indirectly controlled by Ms. Cao, our Chairperson and executive Director, and Dr. Chen, our executive Director; (iii) Zhengli No. 1 and Zhengli No. 2, each of which is controlled by Ms. Cao, our Chairperson and executive Director; (iv) Shareholders ultimately controlled by different levels of government within Jiangsu Province (including Suchuang Energy Investment, Southeast Investment, Southeast Investment Holding, Southeast Xinneng, Nanjing Konggang, Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment Fund) which are aggregated and collectively regarded as our substantial Shareholders for the purpose of public float; and (v) Shareholders ultimately controlled by different levels of government within Fujian Province (including Huafu Investment, Xingsi Shenglian, China Industrial Securities Investment Management, C&D Investment and Xiamen ITG Group) which are aggregated and collectively regarded as our substantial Shareholders for the purpose of public float;

(b) a total of 484,433,807 Unlisted Shares held by the remaining existing Shareholders will be converted into H Shares and listed on the Stock Exchange, and therefore will be counted as part of the public float, representing 19.31% of our share capital in aggregate upon the completion of Global Offering. To the best knowledge of our Directors, none of such remaining existing Shareholders is accustomed to take instructions from any of our core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and none of their acquisition of the Shares were financed directly or indirectly by our core connected person; and

(c) a total of 46,432,200 H Shares issued pursuant to the Global Offering (excluding the H Shares issued to Jiangsu Mixed Ownership Reform Fund, Suzhou High-end Equipment Fund and Southeast Investment Holding, the Cornerstone Investors which are ultimately controlled by different levels of governments within Jiangsu Province as explained above) will be counted as part of the public float, representing 1.85% of our share capital upon the completion of Global Offering in aggregate.

Based on the above, it is expected that immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), a total of 530,865,107 H Shares, representing 21.16% of our total share capital upon the completion of the Global Offering (assuming that the Over-allotment Option is not exercised) will be counted as part of the public float. We have applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules and the Stock Exchange has granted the Company a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules. For details of the relevant waiver, please see "Waivers—Waiver in relation to Public Float Requirements."

## CAPITALIZATION

Our Company has applied for H-share full circulation to convert certain Unlisted Shares into H Shares upon the Listing. The conversion of Unlisted Shares into H Shares will involve an aggregate of 1,317,849,039 Unlisted Shares, representing approximately 52.54% of total issued share capital of the Company upon completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The table below is a summary of the capitalization of our Company as of the Latest Practicable Date and immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised) and the conversion of Unlisted Shares into H Shares:

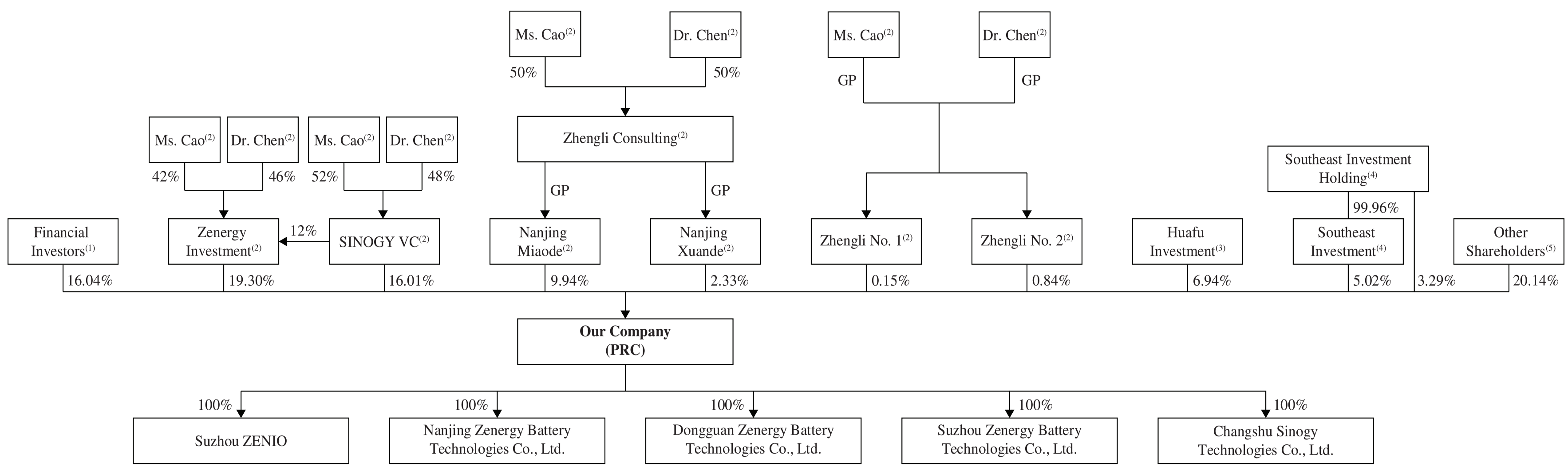
| | As of the Latest Practicable Date | | Immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised) | | |
|---|---|---|---|---|---|
| Shareholder | Number of Unlisted Shares held | Ownership percentage (approx.) | Number of Unlisted Shares held | Number of H Shares held | Ownership percentage of total issued Shares (approx.) |
| Zenergy Investment | 460,690,543 | 19.30% | 322,483,380 | 138,207,163 | 18.37% |
| SINOGY VC | 382,045,276 | 16.01% | 271,362,931 | 110,682,345 | 15.23% |
| Nanjing Miaode | 237,152,124 | 9.94% | – | 237,152,124 | 9.45% |
| Huafu Investment | 165,689,009 | 6.94% | 137,144,662 | 28,544,347 | 6.61% |
| Southeast Investment | 119,902,744 | 5.02% | 59,951,372 | 59,951,372 | 4.78% |
| Xingsi Shenglian | 108,390,811 | 4.54% | – | 108,390,811 | 4.32% |
| Wuxi Zhenghai | 90,293,737 | 3.78% | – | 90,293,737 | 3.60% |
| Southeast Investment Holding | 78,624,750 | 3.29% | 78,624,750 | 36,456,900 | 4.59% |
| Fujian Yaohua | 60,195,825 | 2.52% | – | 60,195,825 | 2.40% |
| Oceanpine Capital | 58,968,563 | 2.47% | – | 58,968,563 | 2.35% |
| Nanjing Xuande | 55,663,715 | 2.33% | 3,621,006 | 52,042,709 | 2.22% |
| Wukuang Yuanding | 54,176,243 | 2.27% | – | 54,176,243 | 2.16% |
| Shuanghe Zhenghua | 54,176,243 | 2.27% | 32,505,746 | 21,670,497 | 2.16% |
| Beijing Jiade | 44,816,795 | 1.88% | – | 44,816,795 | 1.79% |

| | As of the Latest Practicable Date | | Immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised) | | |
|---|---|---|---|---|---|
| **Shareholder** | **Number of Unlisted Shares held** | **Ownership percentage (approx.)** | **Number of Unlisted Shares held** | **Number of H Shares held** | **Ownership percentage of total issued Shares (approx.)** |
| CICC SAIC Investment | 39,312,375 | 1.65% | 39,312,375 | – | 1.57% |
| Chenxi No. 12 | 36,117,495 | 1.51% | 10,835,248 | 25,282,247 | 1.44% |
| Nanjing Konggang | 33,137,802 | 1.39% | – | 33,137,802 | 1.32% |
| Southeast Xinneng | 26,208,250 | 1.10% | 13,104,125 | 13,104,125 | 1.04% |
| C&D Investment | 26,208,250 | 1.10% | 18,345,775 | 7,862,475 | 1.04% |
| Chuanghe Xincai | 26,208,250 | 1.10% | – | 26,208,250 | 1.04% |
| Juxin Xihai | 26,208,250 | 1.10% | 13,104,125 | 13,104,125 | 1.04% |
| Suchuang Energy Investment | 26,208,250 | 1.10% | 26,208,250 | – | 1.04% |
| Hengqin New Kinetic Energy | 21,068,538 | 0.88% | – | 21,068,538 | 0.84% |
| Lianhe Jiaying | 20,966,600 | 0.88% | 6,289,980 | 14,676,620 | 0.84% |
| Zhengli No. 2 | 20,000,000 | 0.84% | 752,500 | 19,247,500 | 0.80% |
| China Industrial Securities Investment Management | 17,799,962 | 0.75% | – | 17,799,962 | 0.71% |
| Jiaxing Chenyue | 17,035,363 | 0.71% | – | 17,035,363 | 0.68% |
| Anhui Haichuang | 13,104,125 | 0.55% | – | 13,104,125 | 0.52% |
| Chengtun Mining | 13,104,125 | 0.55% | 13,104,125 | – | 0.52% |
| Xiamen ITG Group | 13,104,125 | 0.55% | 9,172,888 | 3,931,237 | 0.52% |
| Ma Shaodong | 12,039,166 | 0.50% | – | 12,039,166 | 0.48% |
| Zhongtai Ronghao | 9,172,888 | 0.38% | – | 9,172,888 | 0.37% |
| Dou Yulin | 6,552,063 | 0.27% | 6,552,063 | – | 0.26% |
| Wu Yafeng | 6,552,063 | 0.27% | 6,552,063 | – | 0.26% |
| Zhengli No. 1 | 3,461,260 | 0.15% | 100,000 | 3,361,260 | 0.14% |
| Nanjing Heyi | 2,620,825 | 0.11% | – | 2,620,825 | 0.10% |
| **Subtotal** | **2,386,976,403** | **100.00%** | **1,069,127,364** | **1,317,849,039** | **95.16%** |
| Jiangsu Mixed Ownership Reform Fund | – | – | – | 12,692,100 | 0.51% |
| Suzhou High-end Equipment Fund | – | – | – | 25,942,500 | 1.03% |
| Other public investors taking part in the Global Offering | – | – | – | 46,432,200 | 1.85% |
| **Total** | **2,386,976,403** | **100.00%** | **1,069,127,364** | **1,439,372,739** | **100.00%** |

## OUR CORPORATE STRUCTURE

### Corporate Structure Immediately Before the Completion of the Global Offering

The following chart sets forth our Group's corporate structure immediately prior to the completion of the Global Offering:




*Notes:*

(1) The Financial Investors (as defined in the section headed "Relationship With our Controlling Shareholders" in this Prospectus) are Wuxi Zhenghai, Fujian Yaohua, Wukuang Yuanding, Beijing Jiade, Juxin Xihai, Hengqin New Kinetic Energy, Lianhe Jiaying, China Industrial Securities Investment Management, Anhui Haichuang, Chengtun Mining, Mr. Ma Shaodong and Zhongtai Ronghao. For details of each of the Financial Investors, see "3. Business Reorganization of our Group" or "5. Information about the Pre-IPO Investors" in this section, as applicable.

(2) Immediately before the completion of the Global Offering, Ms. Cao and Dr. Chen together control the voting rights of approximately 64.60% in aggregate of the total issued Shares held by the Financial Investors and Management Shareholders by virtue of the AIC Agreements and Voting Proxy Agreements (as defined in the section headed "Relationship With our Controlling Shareholders" in this Prospectus).

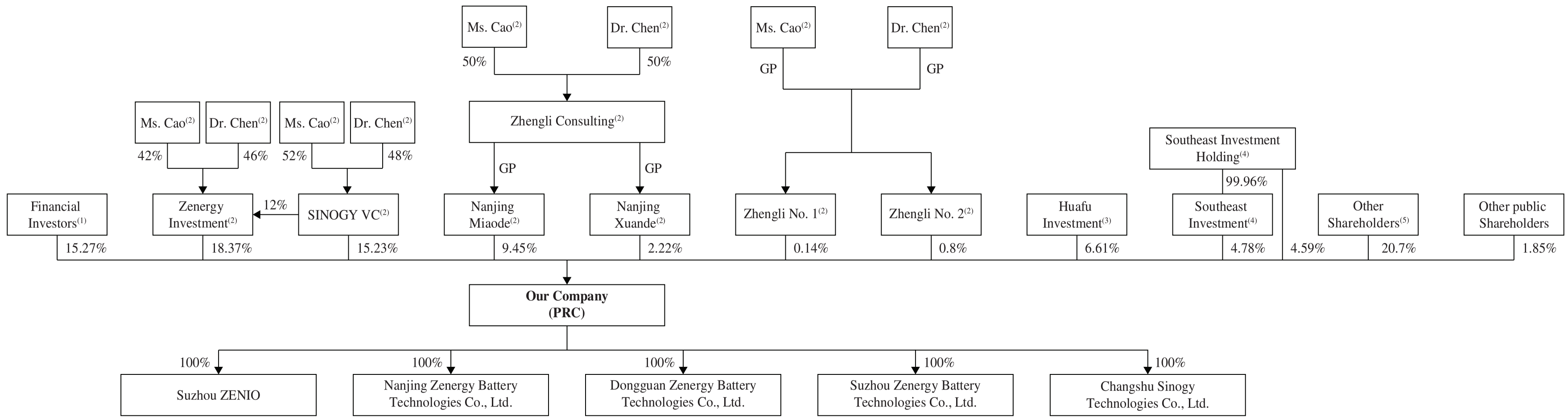
(3) For details of this Shareholder, see "3. Business Reorganization of our Group" in this section.

(4) For details of these Shareholders, see "5. Information about the Pre-IPO Investors" in this section.

(5) These include all of our other existing Shareholders, which are: Xingsi Shenglian, Oceanpine Capital, Shuanghe Zhenghua, CICC SAIC Investment, Chenxi No. 12, Nanjing Konggang, Southeast Xinneng, C&D Investment, Chuanghe Xincai, Suchuang Energy Investment, Jiaxing Chenyue, Xiamen ITG Group, Mr. Dou Yulin, Ms. Wu Yafeng and Nanjing Heyi. For details, see "3. Business Reorganization of our Group" or "5. Information about the Pre-IPO Investors" in this section.

### Corporate Structure Immediately Following the Completion of the Global Offering

The following chart sets forth our Group's corporate structure immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised):




*Notes:*

(1) The Financial Investors (as defined in the section headed "Relationship With our Controlling Shareholders" in this Prospectus) are Wuxi Zhenghai, Fujian Yaohua, Wukuang Yuanding, Beijing Jiade, Juxin Xihai, Hengqin New Kinetic Energy, Lianhe Jiaying, China Industrial Securities Investment Management, Anhui Haichuang, Chengtun Mining, Mr. Ma Shaodong and Zhongtai Ronghao. For details of each of the Financial Investors, see "3. Business Reorganization of our Group" or "5. Information about the Pre-IPO Investors" in this section, as applicable.

(2) Immediately following the completion of the Global Offering, Ms. Cao and Dr. Chen will together control the voting rights of approximately 46.21% in aggregate of the total issued Shares held by the Management Shareholders (as defined in the section headed "Relationship With our Controlling Shareholders" in this Prospectus).

(3) For details of this Shareholder, see "3. Business Reorganization of our Group" in this section.

(4) For details of these Shareholders, see "5. Information about the Pre-IPO Investors" in this section and the section headed "Cornerstone Investors" in this Prospectus.

(5) These include (i) all of our other existing Shareholders, which are: Xingsi Shenglian, Oceanpine Capital, Shuanghe Zhenghua, CICC SAIC Investment, Chenxi No. 12, Nanjing Konggang, Southeast Xinneng, C&D Investment, Chuanghe Xincai, Suchuang Energy Investment, Jiaxing Chenyue, Xiamen ITG Group, Mr. Dou Yulin, Ms. Wu Yafeng and Nanjing Heyi, details of which are set out in "3. Business Reorganization of our Group" or "5. Information about the Pre-IPO Investors" in this section; and (ii) Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment Fund, being Cornerstone Investors, details of which are set out in the section headed "Cornerstone Investors" in this Prospectus.

## OVERVIEW

### Who We Are

We are a lithium-ion battery manufacturer in China, committed to developing a diverse portfolio of market-driven and technology-fueled battery products. We primarily focus on the R&D, production and sales of EV battery products, ESS battery products and aviation battery products. We provide integrated battery solutions, encompassing battery cells, modules, packs, racks, and battery management systems dedicated to large-scale applications of electrochemical products to interconnect land, sea and air ("**LISA**").

We are founded upon experience in the auto part industry. With extensive professional and industry expertise of our core management, we have developed insights into the automobile industries. With understanding of OEM customers' demands to balance safety, quality, performance, and cost efficiency, we developed diverse electric vehicle ("**EV**") battery products as our core business, and are to proactively conducting R&D on aviation battery products, placing us in a favorable position of application scenario expansion and rapid technological advancements in the battery industry. As one of the ten largest players in EV battery market in terms of installation capacity, we operate in China's power battery industry, which is highly competitive and concentrated with top ten manufacturers accounting for 95.3% of total installation capacity in 2024. As measured by installation capacity in 2024, we held a market share of 1.8% amongst EV battery manufacturers in China, according to CABIA.

#### *Market Ranking*

According to Frost & Sullivan, in China:

- we were the 9th largest player in EV battery market in terms of EV battery installation capacity in 2024.
- we were the 9th largest player in LFP EV battery market, and the 9th largest player in NCM EV battery market in terms of EV battery installation capacity in 2024.
- we experienced the second fastest growth in overall EV battery installation capacity among the top ten EV battery companies, and the fastest growth in LFP EV battery installation capacity among the top ten LFP EV battery companies from 2022 to 2023 (as measured by battery installation capacity in 2023).

#### *Market Opportunities*

The global EV battery market experienced steady growth in installation capacity in recent years, and is expected to further grow from 900.2 GWh in 2024 to 3,564.5 GWh in 2029, representing a CAGR of 31.7%. In China, EV battery installation capacity is expected to grow from 549.9 GWh in 2024 to 1,961.4 GWh in 2029, representing a CAGR of 29.0%.

The EV battery industry in China is at an inflection point that poses unique challenges and opportunities for its players.

*Industry Inflection Point*

The growth drivers in the battery industry have evolved from policy and capital investment to market demand over the past few years. Before 2020, decisions to expand EV battery manufacturing capabilities by EV battery manufacturers were primarily driven by policy on new energy vehicles, and manufacturing capacity was designed and constructed for electrochemistries that fit the government subsidy policies under the significant capital support. After 2021 when such subsidy policies began to expire, such manufacturing capacity cannot adequately accommodate diversified electrochemistries that are safer and more cost competitive, and are not flexible to capture the rapid growth in new power battery applications (such as PHEV and EREV). The power battery industry has now reached a critical inflection point, where key competitiveness of battery manufacturers hinges on their understanding and precise alignment with the needs of OEM customers.

*Structural changes in market demand*

The automobile industry has always been dedicated to striking the optimal balance among safety, quality, performance, and cost efficiency, which has driven various development trends in the EV and battery industries including the trend toward more diverse technology pathways. Compared to NCM batteries, LFP batteries offer lower costs, higher thermal stability, better tolerance to overcharging, longer cycle life, and a higher capacity retention rate. At the same time, the energy density gap between LFP and NCM batteries is narrowing, and LFP batteries are now capable of meeting the driving range requirements for the majority of electric vehicles. As a result, LFP batteries are better aligned with the market's demand for cost-effectiveness and safety, leading to their rapid growth in market share in recent years. With the reduction in subsidies and development of alternative technologies, LFP batteries have surpassed NCM and become the primary product type in the global EV industry: in China, the proportion of NCM batteries decreased from 60.9% in 2020 to 25.4% in 2024, of all EV batteries in terms of installation capacity, whereas the proportion of LFP batteries increased from 38.0% in 2020 to 74.4% in 2024, of all EV Batteries in terms of installation capacity. This shift is further highlighted by the installation capacity of LFP batteries, which was 408.9 GWh in 2024 in China, whereas the installation capacity for NCM was 139.8 GWh in 2024 in China.

As the market share of LFP batteries continues to grow, rapid technological advancements in LFP technology have made high-performance LFP products a key factor in capturing additional market share. Our LFP technology offers the following advantages, which position us strongly to expand our presence in the market: (i) to meet the demand for longer driving ranges, we have increased the volumetric energy density of our LFP products from 175 Wh/kg to over 190 Wh/kg, enabling vehicles equipped with our batteries to achieve greater range; and (ii) to further compete with ternary battery technology, fast-charging capability is essential. Although not in mass production yet, certain of our LFP products has achieved a fast-charging capability of 4C, which enables them to charge to 80% state of charge in 15 minutes with peak charging speeds exceeding 5C, giving us a significant competitive edge. These innovations are critical to further increasing our market share in the LFP segment. In addition, we adopt the following strategies to further expand our market share in the LFP EV battery market: (i) leveraging the industry trends of battery cell standardization and battery pack platformization to integrate our products across a broader range of vehicle models within existing customers' supply systems, thereby increasing our supply and operational efficiency; (ii) securing partnerships and supply agreements through multinational joint ventures to launch new range-extended EVs and plug-in hybrid models, positioning ourselves as a preferred supplier for these innovative vehicles; (iii) strengthening supply relationships with leading domestic brands by fostering collaborations with self-owned brands and supporting leading domestic brands' integrated vehicle models, to enhance our alignment with their key vehicle platforms; and (iv) leveraging the increasing adoption of smart automotive technologies and the evolution of LFP batteries to higher fast-charging capabilities (from 2C to even faster charging standards), targeting new vehicle launches to expand our market share.

There are also significant changes in the structure of the NEV market. While BEV still currently accounts for the largest market share, PHEV has experienced significant growth, leveraging its advantages in cost and driving range. The market penetration rate of BEVs in China was 24.6% in 2024 in terms of sales volume, and the sales volume is expected to grow at a CAGR of 14.1% from 2024 to 2029. In contrast, the total market share of PHEVs (including EREVs) in China was 16.4% in 2024, and the sales volume is expected to grow at a CAGR of 24.1% from 2024 to 2029, indicating that PHEVs are poised for faster growth compared to BEVs and will surpass BEVs in sales volume in 2026.

*Challenges to EV Battery Manufacturers*

In the early stages of industry development, to meet the stable supply and demand for battery products, many power battery companies have already devoted significant resources in establishing manufacturing lines for high-capacity BEV battery cells and specialized manufacturing lines for NCM batteries. Such manufacturing lines, compared to our current manufacturing lines, demonstrate lower compatibility, lower efficiency and higher manufacturing costs. Utilizing these ternary manufacturing lines for producing small-capacity PHEV cells or LFP cells would lead to high conversion and manufacturing costs. At the same time, driven by cost concerns, OEMs have raised higher demands for standardized battery products that are compatible with different vehicle types and application scenarios and can accommodate various electrochemistries.

In addition, China's EV power battery production capacity reached 826 GWh in 2024 and is projected to grow to 991.2 GWh in 2025, whereas the installation capacity of EV power battery in China was 549.9 GWh in 2024 and is expected to reach 692.2 GWh in 2025. The industry is experiencing a period of overcapacity, leading to intense competition. According to Frost & Sullivan, this represents a structural overcapacity issue, driven by idle low-end production capacity with outdated technologies that cannot be upgraded or adapted to the structural transitions in China's EV power battery industry. These transitions include the growing demand for higher-performance EV power batteries, the increasing dominance of LFP, and the higher growth of PHEVs over BEVs. Low-end production capacity accounts for over half of the industry's capacity.

As advised by Frost & Sullivan, the termination of national EV subsidies at the beginning of 2023 led to a temporary year-over-year decline in EV sales in January 2023. However, in February 2023, EV sales rebounded and experienced year-over-year growth. The price of lithium carbonate has experienced a downward trend since November 2022, primarily due to an increase on the supply side rather than a weakening of demand. As such, the temporary slowdown in sales in January 2023 as mentioned above did not have a significant impact on lithium carbonate prices.

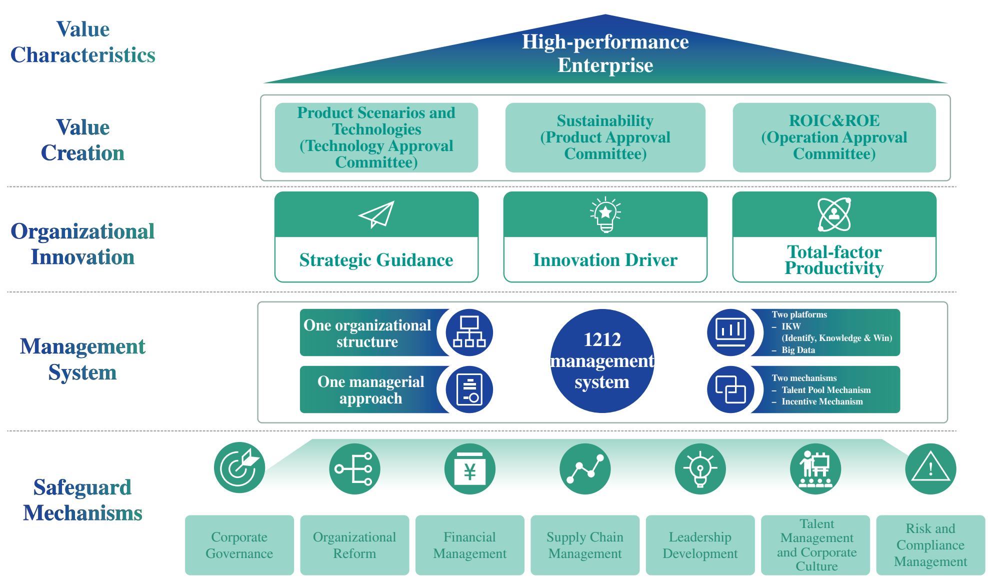
As a result, EV battery manufacturers that are fully market-driven, with the flexibility to easily adapt to technology shifts through the adoption of efficient and flexible manufacturing lines, and have products and manufacturing capabilities that cover a diverse high quality and low cost product portfolio, can succeed in the current market.

***Our Differentiated Approach***

We adopt a value co-creation management system to manage our operations and growth. Leveraging our insights into OEMs' requirements and preferences to weigh the balance among product safety, quality, performance, and cost efficiency, we have developed the following approaches:

- *Value co-creation management system.*

  The following graph sets forth a framework under which we manage and operate our business.




We have established the "1212" management system, a value co-creation system that connects high-performance companies along the power battery industry chain. The "1212" management system includes one organization (consisting of TAC, PAC and OAC), two platforms (IKW and Big Data), one approach (SARMO action) and two mechanisms (Talent Pool and Incentive Scheme). We set horizontal organizations along with the closed-loop PDCA cycle process where we eliminate our shortfalls and extend our advantages by identifying targets, front-loading issues, dissolving hurdles, and quantifying tasks.

- *Mutually beneficial approach across the industry value chain*. We adopt standardized battery cells and platformed battery packs, and differentiate their performance with diversified electrochemistries, which effectively lower our R&D and manufacturing costs, as well as bring cost efficiency for OEMs.

- *"5-3-1" R&D Strategy*. We have established the forward-looking "5-3-1" R&D strategy based on integrated product development process, aiming to plan for new electrochemistries and advanced materials five years ahead, establish technology platforms three years ahead, and develop market-ready products one year ahead in order to maintain the competitive edge of our technologies and products in the industry.

- *Diverse product portfolio.* We offer a diverse portfolio of market-driven and technology-fueled battery products, dedicated to large-scale applications to interconnect land, sea and air application scenarios. We have strategically categorized and developed PHEV and EREV battery products in addition to BEV products, capturing the structural growth opportunity while satisfying different customer needs.

- *Flexible battery cell manufacturing capabilities.* We design and build automated and battery cell manufacturing facilities with flexible production capabilities. We also adhere to the strategy of concentrating our production capabilities with high focus and in-depth cultivation, as well as the principle of order-oriented and steady production capacity expansion.

- *Intelligent manufacturing based on big data platform.* We have developed an intelligent big data platform, combining edge computing, and AI visual for application in our manufacturing facilities, which enables us to analyze operational data, provide alerts and monitor our operations in real time. It also results into system models, which reduces reliance on manual labor, making the manufacturing process highly controllable, and increasing the consistency in product quality.

These approaches have earned us recognition as an effective supplier by a large number of OEM customers, including large state-owned enterprises, pure-play EV companies, and multi-national OEMs through establishing long-term cooperative relationships. Leveraging our capabilities in technologies and products, we continue to increase the market share of our battery products to cover more vehicle models from leading OEMs in the global EV industry, such as FAW Hongqi, GAC Trumpchi, Leap Motor, SAIC-GM Wuling, and SAIC-GM.

**Our Products and Technologies**

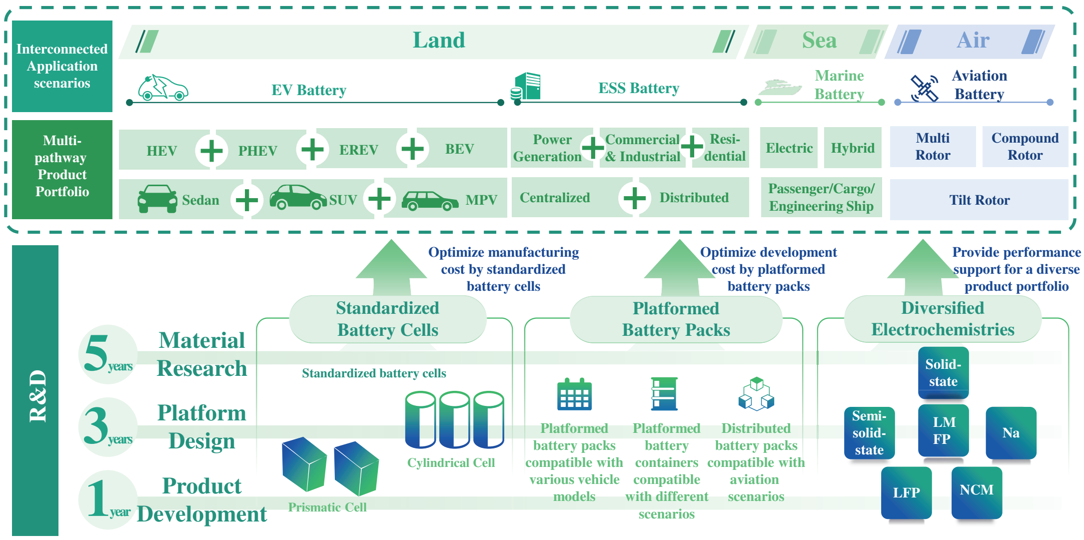
Major EVs include battery electric vehicle ("**BEV**"), plug-in hybrid electric vehicle ("**PHEV**"), extended-range electric vehicle ("**EREV**"), and hybrid electric vehicle ("**HEV**").

Different vehicle types commonly utilize specific battery chemistries based on their performance needs. BEV batteries typically used to adopt lithium nickel-cobalt-manganate ("**NCM**") materials. In recent years, lithium iron phosphate ("**LFP**") materials are also gaining popularity for adoption among BEVs due to its safety performance and cost-effectiveness. BEV batteries typically require high energy density and capacity to satisfy long driving ranges. PHEVs typically adopt NCM, or LFP batteries. PHEVs typically require batteries to have lower capacity compared to BEV batteries, while having higher requirements for battery cycle life and power, as well as the balance between energy density and cost. HEVs typically used to adopt nickel metal hydride ("**NiMH**") batteries; lithium-ion related materials are also gaining popularity for adoption in HEV batteries as technology develops. These choices reflect the varied demands of energy density, safety, and cost across different EV types. The following table compares main battery types (NCM, LFP, NiMH) focusing on energy density, cost, lifespan, safety, and examples of use:

| Battery Type | Energy Density | Cost | Lifespan | Safety | EV Type |
|---|---|---|---|---|---|
| **NCM (Nickel-Cobalt-Manganese)** . . . | High (150-320 Wh/kg) | Moderate to High | Moderate (800-4,000 cycles) | Moderate (susceptible to thermal runaway, requires advanced battery management systems) | BEV and PHEV |
| **LFP (Lithium Iron Phosphate)**. . . . | Moderate (90-200 Wh/kg) | Low | High (2,000-10,000 cycles) | High (stable, less prone to overheating or thermal runaway) | BEV and PHEV |
| **NiMH (Nickel-Metal Hydride)** . | Low to Moderate (40-120 Wh/kg) | Moderate | Moderate (500-1,000 cycles, with lower capacity retention over time) | High (safer than NCM, stable under most conditions) | HEV |

For a comparison of power batteries in different EVs, please see "Industry Overview—Overview of EV Power Battery Market."

The following diagram demonstrates our products and technologies.




We commenced to manufacture and sell battery products in 2016 and commenced our LFP batteries business in July 2022. Our EV batteries cover a variety of EV types such as BEV, PHEV, EREV and HEV and can be installed in multi-functional vehicles such as sedans, SUVs and MPVs. Our ESS and marine battery products are primarily LFP batteries, and our aviation battery products are primarily high-nickel semi-solid-state Lithium-Ion battery products.

We adopt a market-driven technology and product development approach. We conduct comprehensive analysis by collecting market information, technology trends, and customer feedback to form forward-looking judgments on R&D directions. Additionally, we involve a cross-department project team to design products, taking into account aspects of technology R&D, manufacturing, quality control, finance, and sales.

We adopt standardized battery cells and platformed battery packs, and differentiated their performance with diversified electrochemistries, which enables our OEM customers to more flexibly use our products in different vehicle types and application scenarios. This helps reduce OEMs' development costs and our R&D and manufacturing costs. Our R&D activities also cover different electrochemistries and technology pathways, satisfying customers' varying needs for product performance and costs. We have developed various NCM and LFP battery products, and have a pipeline of LMFP batteries, sodium-ion batteries, and semi-solid-state product for commercialization in the near future, as well as a pipeline of solid-state technologies and products as our preparation for the long-term. Our diverse technology capabilities and pipeline help us develop diversified products that satisfy customers' rapidly evolving and diverse needs.

As of December 31, 2024, our R&D team consists of 1,060 full-time employees, approximately 28% of whom held a Master's degree or above. As of the same date, we had 3,613 patent applications and had been authorized 2,225 patents, among which 412 were invention patents. We are also funded by the Industry and Information Technology Department of Jiangsu for sodium-ion battery industrialization.

Our R&D capabilities have enabled us to develop the following battery technologies with unique product features and advantages:

- *High energy density and fast charging LFP battery:* Through optimization of materials and electrode design, we have increased the gravimetric energy density to approximately 190Wh/kg; through the development and introduction of high press density Lithium-Iron phosphate materials, our LFP battery achieves volumetric energy density of over 430 Wh/L as well as fast charging capabilities of 2.2C.

- *PHEV and EREV batteries.* Our PHEV and EREV batteries enjoy the extremely high cycle life of up to 4,000 cycles, and can reach up to 80% state of charge ("**SOC**") in 30 minutes.

- *HEV batteries*. The HEV batteries developed by us and our joint venture STAES cover two main technology pathways, namely Lithium-Ion and Ni-MH. They enjoy the advantages of high power, long cycle life and high safety, with peak discharge rate of 80C, and cycle life of up to 27,000 cycles.

- *Universe series (BEV battery pack)*. Although we have not commenced mass production, we have completed the development of Universe series BEV battery pack and already produced samples. Our Universe series BEV battery pack enjoys an energy density up to 260 Wh/kg, and can reach 70% SOC in as fast as seven minutes. It features a pioneering tenon-and-mortise assembly technology, making it the first in the industry to enable single cell disassembly and easy maintenance.

- *Loong series (BEV battery pack)*. Although we have not commenced mass production, we have completed the development of Loong series BEV battery pack and already produced samples. Our Loong series BEV battery pack achieves a total battery capacity of 170 kWh, which is the highest among passenger EV battery pack products in China as of December 31, 2024. It adopts dual semi-solid-state technology, which enjoys an energy density of 306 Wh/kg and reaches 70% SOC from 10% SOC within nine minutes.

- *Aviation battery products*. We are the first EV battery company in China to receive the AS9100D Aerospace Quality Management System recognition, and one of the first companies in Suzhou leading the "low-altitude economy" initiative. Our aviation battery products have an energy density of over 320 Wh/kg, and can reach up to 80% SOC in 15 minutes. They can maintain a discharge rate of 12C at a low SOC of 20%. They can also reach aviation-grade level safety standards.

**Our Manufacturing Capabilities**

Our facilities for battery cell manufacturing are enabled and enhanced by software systems, including our proprietary operational platform, manufacturing operations management customization system, contactless visual inspection technologies powered by AI, and AI edge computing-based quality inspection and monitoring system. These capabilities enable us to continuously improve manufacturing and cost efficiency. The automation rate of major manufacturing lines (defined by the percentage of machines and equipment that do not require any human interventions to run smoothly) reached over 95% in 2024, which is significantly higher than the industry of approximately 90%.

Our manufacturing lines are also highly flexible and can be converted to manufacture different product types (such as from EV batteries to ESS batteries, and from NCM batteries to LFP batteries) with relatively low conversion costs and time. We achieve this through adopting predictive manufacturing equipment design, flexible and intelligent manufacturing technique design. The time to convert a manufacturing line to produce at full capacity for those battery products of the same dimension to a different electrochemistry could reach as short as three days, and the time to convert a manufacturing line to produce at full capacity for those battery products of different dimensions could reach as short as 50 days.

As of December 31, 2024, we had a total designed manufacturing capacity of 25.5 GWh for battery cell products. Most of our manufacturing facilities are strategically located in close vicinities to each other in Changshu, which allows centralized operational management. On average, we are able to allocate resources among different facilities and respond to abnormal alerts from each facility in Changshu within 30 minutes. We also adopt a demand-driven manufacturing capacity expansion strategy, which helps us avoid excessive and idle capacity and reduce waste of resources.

According to Frost & Sullivan, China's EV power battery industry is expected to experience a structural overcapacity issue, driven by idle low-end production capacity with outdated technologies that cannot be upgraded or adapted to the technology development in China's EV power battery industry. Low-end production capacity accounts for over half of the industry's capacity. In addition, production capacity that were specifically designed for NCM batteries and lack the flexibility to manufacture other types of batteries is also expected to face significant risk of overcapacity and even elimination. We believe our manufacturing capacity is well positioned to overcome the issue of overcapacity and elimination for the following reasons:

- *Flexibility.* Our flexible battery cell manufacturing capabilities can quickly adapt to shifting market demands and technological advancements. Leveraging our standardized battery cells, platformed battery packs, and diversified electrochemistries, we established manufacturing processes that can be easily reconfigured to meet the diverse requirements of new battery types. This flexibility enables us to capture the evolving needs of the EV power battery market with minimal production disruption and at a lower cost.

- *Demand-driven expansion strategy.* We adopted a demand-driven manufacturing capacity expansion strategy to avoid excessive manufacturing capacity while timely satisfying customer demand. Our expansion plan is largely based on the expected delivery volume pursuant to design-wins we had obtained. This reduces the risk of idle and excessive capacity. In addition, we believe our OEM customers are well positioned for rapid above-market growth, which is expected to bring us the opportunity to grow our sales and lead to the need for manufacturing capacity expansion. For example, we have become the primary battery supplier for Leap Motor, whose revenue increased from RMB3.1 billion in 2021 to RMB16.8 billion in 2023 and is expected to further increase to no less than RMB30.8 billion in 2024. We fully intend to capture the growth opportunities of our OEM customers to grow our business and to reduce the risk of overcapacity.

- *EV penetration.* According to Frost & Sullivan, the EV penetration rate in China grew from 7.0% in 2020 to 43.9% in 2024 and is expected to further grow to 93.3% in 2029. Such rapid growth in EV penetration is expected to lead to significant growth in EV sales, which we believe is expected to also drive the significant increase in demand for power batteries, especially those with more advanced technological features and electrochemistry systems.

**Our Customers**

We have forged collaboration with leading players in the automotive industry, and have cultivated high-caliber customer base.

Our EV battery customers include large state-owned enterprises, pure-play EV companies, and multi-national OEMs. The market share of our battery products among vehicle models of leading global OEMs, such as FAW Hongqi, GAC Trumpchi, Leap Motor, SAIC-GM Wuling, and SAIC-GM, continues to increase. As of December 31, 2024, our products are integrated in over 50% of Leap Motor's main BEV models, and a key PHEV model of SAIC-GM, GL8 PHEV. We are the main supplier for GL8 PHEV.

In addition, we have established cooperation with various potential customers of our ESS battery products, such as Deye Holdings. We are also actively pursuing new collaborations in terms of mass production of our marine and aviation battery products with potential customers in the relevant fields.

The following table sets forth details of the number of our design-wins, vehicle models, customers by type, and the average revenue contribution per customer during the Track Record Period.

| | As of/for the year ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| Number of design-wins at the end of each year[(1)] | 4 | 7 | 23 | 47 |
| Cumulative number of design-wins[(2)] | 5 | 9 | 25 | 49 |
| Cumulative number of vehicle models that entered production[(3)] | 1 | 3 | 9 | 21 |
| Number of Customers during the year | 30 | 56 | 92 | 81 |
| Number of OEM customers during the year | 5 | 11 | 11 | 12 |
| Portion of revenues from OEM customers | 85.8% | 83.0% | 76.8% | 90.6% |
| Number of OEM car models | 7 | 20 | 26 | 36 |
| New customers | 18 | 40 | 66 | 38 |
| Customer retention rate | 93.3% | 68.2% | 88.9% | 94.5% |

*Notes:*

1. Includes only design-wins retained as of the end of the year, excludes design-wins that had been terminated.

2. Includes all design-wins that had been obtained as of the end of the year, regardless of whether the design-win had been terminated.

3. Includes all vehicle models that had entered production as of the end of the year, regardless of whether production had been terminated.

The relatively low percentage of sales from OEM customers in 2023 compared to other years during the Track Record Period was primarily due to the relatively high volume of sales of ESS products and down-grade products in 2023. For more details on the fluctuations from 2022 to 2023, see "Financial Information—Year-to-year Comparison of Results of Operations—Year Ended December 31, 2023 Compared to Year Ended December 31, 2022—Revenue."

Customer retention rate represents the proportion of revenue contributed by customers who had revenue contributions in the following year among the customers from the previous year. We have relatively low customer retention rate of 68.2% in 2022 compared to other years, which is primarily due to the one-off impact by WM Customer. The number of our customer decreased from 92 in 2023 to 81 in 2024, which was primarily because (i) in 2024, our production capacity was insufficient to fulfill orders from smaller customers, resulting in a decline in the number of smaller customers; and (ii) we prioritized allocating resources to automotive OEM customers to maximize efficiency and revenue contribution, as a result of our shift in focus to the EV battery business, the core customers of which are OEM customers. For the same reasons, the portion of revenues from OEM customers increased from 76.8% in 2023 to 90.6% in 2024. Additionally, in 2023, as we disposed of down-grade products as a result of the WM Customer Incident, amounting to RMB173.1 million, we had additional revenue from other products and services, while such revenue decreased significantly in 2024, leading to an increase in the proportion of revenue from OEM customers in 2024.

For risks in relation to our customers, please see "Risk Factors—The intense competition, supply restrictions, trade controls, tariff, or sanctions, on semiconductor chips or other major components of EVs may disrupt the operations of our end customers and in turn adversely affect our business, results of operations, and financial condition."

**Our Financial Performance**

During the Track Record Period, we experienced growth in our results of operations. Our revenue increased from RMB1,499.3 million in 2021 to RMB3,290.3 million in 2022, and further to RMB4,161.7 million in 2023 and RMB5,130.3 million in 2024, representing a CAGR of 50.7%. Our revenue grew from RMB4,161.7 million in 2023 to RMB5,130.3 million in 2024, representing a growth rate of 23.3%.

## OUR COMPETITIVE STRENGTHS

**An established EV battery company in China with experience in the auto part industry**

We are founded upon experience in the auto part industry. According to Frost & Sullivan, in terms of EV battery installation capacity in 2024, we are the 9th largest player in China's EV battery market; our overall EV battery installation volume growth ranked fourth, our ternary lithium battery installation volume growth ranked third, and our LFP battery installation volume growth ranked fourth among all top 10 players in China in 2024.

As former core leadership team members of world-renowned auto parts companies, our core management brings insights into the automobile industries, as well as a comprehensive and precise understanding of OEMs' requirements and preferences to weigh the balance among product safety, quality, performance, and cost efficiency. Leveraging such industry experience and insights, we have developed unique approaches across the board that differentiate us from our peer players.

- *Industry insights.* With their years of professional experience in the automobile industry with a forward-looking insight into the direction of the structural development of the automotive industry, our core management team members accurately and timely perceive and capture the trend toward diverse products and widespread application scenarios. Such business acumen enables us to launch a diverse EV battery portfolio, and develop a pipeline of marine and aviation battery products.

- *Customer relationships*. We have established relationships with a large customer base, covering leading companies in the global mobility and energy storage industries. We strive to establish deep relationships by achieving win-win for our customers and ourselves. We are recognized as an "excellent supplier" by several leading OEMs. We generally attain the position as the primary supplier for certain types of products to our key customers within three to four years of establishing relationships.

- *R&D strategy.* We analyze the rapid development in market demand and technologies to develop our pipeline products accordingly. Driven by OEMs' needs for universally compatible battery products, we are dedicated to adopting standardized battery cells and platformed battery packs, and differentiate their performance with diversified electrochemistries.

- *Manufacturing method.* Leveraging our years of experience in manufacturing and project management, we have designed a highly software-driven and intelligent manufacturing facilities (featuring AI and big data) that enables us to flexibly configure and allocate our manufacturing resources to different products in order to flexibly respond to changes in market demand and reduce costs.

- *Customer services.* We have established a customer-centric service matrix where our cross-functional product development team of R&D, engineering, procurement, manufacturing, sales, and finance personnel collaborate to greatly improve the efficiency of cross-functional collaboration and shorten the time of the response to customers' demand and provide quality services throughout the entire customer lifecycle.

**Diverse portfolio of market-driven battery products capturing structural industry growth**

The NEV industry, as the downstream industry of the power battery industry, is expected to develop in a more diversified manner in terms of power sources and use cases. The global EV penetration rate (as measured by the percentage of EV sales volume over total automobile sales volume) increased from 6.6% in 2020 to 26.7% in 2024, and is expected to reach 65.7% in 2029. China is a global leader in EV development: EV penetration rate in China grew from 7.0% in 2020 to 43.9% in 2024, and is expected to further grow to 93.3% in 2029.

Meanwhile, PHEVs and EREVs have gained traction and experienced rapid growth in recent years due to their long driving ranges and flexible charging options. In June 2024, the MIIT published the draft version of "Fuel Consumption Limits for Passenger Vehicles" (《乘用車燃料消耗量限值》) for public opinions; in August 2024, the MIIT published further the draft version of "Assessment Method and Index of Fuel Consumption for Passenger Vehicles" for public opinions. Both would become effective beginning 2026 if adopted. These policies and regulations are expected to lead to transformation in China's automobile industry. PHEVs, with its cost advantages and fuel emission and consumption level well below the above published limits, enjoy significant market opportunities and growth potential during the abovementioned transformation. According to Frost & Sullivan, from 2020 to 2024, EV sales volume in China grew from 1.8 million units to 13.8 million units, representing a CAGR of 66.9%, and is expected to further grow to 32.1 million units by 2029, representing a CAGR of 18.4%. PHEVs, in particular, have witnessed faster growth in recent years compared to BEVs due to their longer driving ranges and flexible charging options. PHEV sales volume in China increased from 0.3 million units in 2020 to 5.1 million units in 2024, representing a CAGR of 112.7%, and is expected to further grow to 15.2 million units by 2029, representing a CAGR of 24.1%, higher than the forecasted growth CAGR for BEVs and will surpass BEVs in sales volume in 2025. HEVs are also playing increasingly important roles in the transformation away from ICE vehicles. The sales volume of HEVs in China increased from 0.4 million units in 2020 to 0.9 million units in 2024, representing a CAGR of 22.7%. HEVs are expected to maintain rapid growth in the future, reaching a sales volume of 2.0 million units by 2029, representing a CAGR of 15.8% from 2024 to 2029.

Leveraging our understanding of diversified demand of automotive end-users, we have developed a diverse EV battery product portfolio with various electrochemistries such as LFP and NCM which enable us to capture structural growth opportunities in different markets.

- *BEV products.* Our mass production BEV products cover various electrochemistries, including NCM, and LFP, and our products under development cover additional electrochemistries such as LMFP and sodium-ion batteries. Each of these battery products was designed for BEV models with different driving ranges. Leveraging our BEV products, we have become the primary supplier of FAW Hongqi, GAC Trumpchi, Leap Motor, among other leaders in the global EV industry.

- *PHEV products.* Leveraging our unique industry insights, we gained unique competitive edges over our peers in the PHEV market under our market-driven approach.

- ***Vision from our market-driven approach***: Since 2021, we have been proactively developing our PHEV product pipeline to seize the growing opportunities in the PHEV market. We were able to form vision ahead of our peers due to our market-driven approach, which enables us to gather first-hand industry insights and devote resources into products based on market needs. This deep market understanding empowered us to collaborate with several major OEMs in China on PHEV battery development, laying the groundwork for our PHEV products.

- ***Execution of our vision leveraging differentiated approach***: We designed our high-speed manufacturing lines with configurations that are compatible with PHEV batteries, enhancing production efficiency and reducing costs. Our flexible battery cell manufacturing capabilities can quickly adapt to shifting market demands. Leveraging our standardized battery cells, platformed battery packs, and diversified electrochemistries, we established manufacturing processes that can be easily reconfigured to meet the diverse requirements of PHEV batteries with varying types and energy densities. This flexibility enables us to capture the evolving needs of the PHEV market with minimal production disruption and at a lower cost.

- ***Unique competitive advantages***: Guided by our vision, we have established unique competitive advantages and built entry barriers against other players in the industry. Unlike some market players whose facilities were originally designed for NCM batteries in BEVs, which make it challenging and costly to upgrade for LFP battery production, our facilities are designed for flexibility. This allows us to efficiently manufacture PHEV batteries without incurring substantial capital expenditure or downtime. Given the relatively compact development cycle of PHEV cars, lead-in time required for other players to manufacture the batteries is a significant disadvantage. With established flexible manufacturing facilities, we are able to capture early market demand for PHEV battery products.

- ***Client recognition***: Our PHEV batteries are known for their long cycle life and fast charging performance. Our overall EV battery installation volume growth ranked fourth, our ternary lithium battery installation volume growth ranked third, and our LFP battery installation volume growth ranked fourth in China in 2024. As of December 31, 2024, we had been selected to manufacture PHEV batteries with a total dimension of over 150 GWh. Our long-term client relationships reflect our success: for over two years, we have been the exclusive supplier of a 72Ah battery for multiple PHEV models of an OEM. Another client has relied on us to support the expansion of its PHEV product line, both domestically and internationally. We also upgraded PHEV products for another customer from 104Ah to 114Ah and 120Ah without altering the form or size of the battery cells, saving them significant time and development costs.

- *HEV products.* We have developed NCM batteries for HEVs. Our joint venture STAES offered various Lithium-Ion and Ni-MH battery packs for HEVs and supplied to major OEMs that are joint ventures with Toyota in China for their core HEV vehicle models. STAES's HEV battery packs enjoy a market share of over 70% in China measured 2024 installation capacity of HEV battery packs, according to Frost & Sullivan.

In addition, China's battery industry is also experiencing rapid expansion in application scenarios, including the application of battery products in low-altitude economy scenarios and related industries, which are expected to reach an overall market size of RMB1,000.0 billion in 2030, according to the "Implementing Measures for the Innovative Application of General Aviation Equipment (2024-2030)" jointly promulgated by the Ministry of Industry and Information Technology, Ministry of Science and Technology, Ministry of Finance, and Civil Aviation Administration of China. As electrification of marine transportation industry rapidly develops, power batteries for electric vessels also experienced significant growth in installation capacity.

We are the first EV battery company in China to receive the AS9100D Aerospace Quality Management System recognition, and one of the first companies in Suzhou leading the "low-altitude economy" initiative. Our aviation battery products enjoy the advantages of high safety, discharge rate, energy density and charging speed. We have established collaboration with various leading eVTOL companies.

**Standardized battery cells, platformed battery packs, and diversified electrochemistries which boost cost-efficiency across the industry chain**

We focus on forward-looking prediction of future technology development trends and, redefining the product development approach centered on customers' pain points. We adopted standardized battery cells and platformed battery packs, and differentiate their performance with diversified electrochemistries in order to achieve cost-efficiency for players along the industry value chain.

***Standardized Battery Cells and Platformed Battery Packs***

Driven by cost concerns, OEMs are increasingly demanding batteries that are compatible with various vehicle types that have different driving ranges and application scenarios (such as sedans, SUVs and MPVs) and meet the requirements for diverse product portfolio. This would enable OEMs to effectively reduce the number of vehicle development platforms, resulting in significant savings in their development costs. We cooperate with OEMs to redefine the approach to product development by developing battery products with standardized battery cells and platformed battery packs, and differentiate their performance with diversified electrochemistries, enabling more efficient and low-cost integration of our products into their different vehicle models. This approach also lowers our own R&D and manufacturing costs.

For example, we developed standardized battery cells and platformed battery packs for GAC Trumpchi which are compatible with multiple vehicle models such as mid-size and mid-to-large-size MPV and mid-to-large size SUVs. In our cooperation with another established OEM in China, we developed different NCM and LFP battery cell products of the same configuration and size for its PHEV models with 150 km and 200 km driving ranges, respectively. The manufacturing of battery cells of the same configuration and size but different electrochemistries requires only one set of molds, and the time to convert the manufacturing line to produce at full capacity for those battery cells of the same dimension to a different electrochemistry could be as short as three days.

In 2021, we began cooperating with an OEM customer to develop our 72Ah battery product under such approach, which achieved mass production and delivery in 2022. After several years of further development, over 90% of our 72Ah battery products sold in 2024 were developed under such approach. While industry peers may also adopt development similar approaches, we believe our early adoption of and deep commitment to the "standardized battery cell and platformed battery pack" development approach provides our products a competitive edge in cost of product R&D, manufacturing, and integration into vehicles.

***Diversified Electrochemistries***

We have also built in diversified electrochemical designs to ensure our battery products, while maintaining standardized battery cells and platformed battery packs for high compatibility, satisfy customers' varying needs for product performance and costs. We have developed various NCM and LFP battery products, and have a pipeline of LMFP batteries, sodium-ion batteries, and semi-solid-state and solid-state technologies. Our multi-generation and diverse technology capabilities and pipeline help us develop diversified products to cover a number of vehicle types, including sedans, SUVs and MPVs with wide-ranging driving ranges and cost requirements.

**Comprehensive Independent R&D Capabilities Supporting the Launch of Cutting-Edge Products**

We have developed a variety of battery technologies in high energy density, fast charging, high power, high safety, and long cycle life.

- *High energy density.* We are the first EV battery manufacturer to introduce both 4.5μm copper foil and 10μm aluminum foil into mass-produced NCM battery cell products at the same time. Leveraging ultra-thin current collector applications, we further enhance the energy density of our products. We developed the ultra-high nickel and silicon anode material system, and achieved energy density of 300 Wh/kg. To further enhance the thermal stability of such electrochemistries, we developed semi-solid-state electrolyte technology including solid electrolyte surface modification technology for ultra-high nickel ternary cathode materials, solid electrolyte hybrid separator technology, and solid electrolyte modification technology for positive and negative electrode, which have resulted in a 10°C increase in the cell failure onset temperature and a 150°C reduction in the maximum temperature after failure.

- *Fast charging.* We have significantly improved the Lithium-Ion transportation capability through the optimization and improvement of raw materials, electrode and cells, reducing the ohmic resistance and charge transfer impedance. We have completed the initial development of 6C fast-charging NCM and LFP products.

- *High power*. Through material design, electrode level optimization and cell structure design, the maximum pulse discharge rate of our 5.0Ah HEV cell product can reach 80C for ten seconds, and the maximum pulse discharge rate of our 63Ah PHEV cell product can reach 10C for ten seconds, which is better than the industry average, according to Frost & Sullivan.

- *Safety.* We developed the hybrid blue laser welding technology, which greatly reduces the risk of battery short circuits caused by welding slag. At the same time, our wing cap technology can effectively prevent the risk of short circuits caused by the reverse insertion of the tab.

- *Long cycle life.* Based on pre-lithiation technology, our LFP battery has a cycle life expected to reach up to 18,000 cycles.

One of the key pain points of power battery R&D is to achieve the optimal balance among performance level of different indicators. We believe we have not only achieved outstanding performance in each of the above areas, but also achieved such optimal balance which leads to high overall performance of our power batteries and competitive advantages:

- In response to high repair costs and difficulties in battery cell disassembling, although we have not commenced mass production, we have completed the development of our Universe series BEV battery pack and already produced samples. Our Universe series BEV battery pack adopts a pioneering tenon-and-mortise assembly technology in lieu of the traditional laser welding and structural adhesive bonding technology, which makes our cells easy to assemble, disassemble and repair. Our Universe series BEV battery pack enjoys an energy density up to 260 Wh/kg, and can reach 70% SOC in as fast as seven minutes.

- In response to the difficulties of achieving both high energy density and high charging speed, although we have not commenced mass production, we have completed the development of the Loong series BEV battery pack and already produced samples. The Loong series BEV battery pack achieves a total battery capacity of 170 kWh, which is the highest among passenger EV battery pack products in China as of December 31, 2024. It adopts the double semi-solid-state technology, which enjoy an energy density of 306 Wh/kg reach 70% SOC from 10% SOC within nine minutes.

- In response to high requirements on PHEV and EREV battery lifecycle and charging speed, we launched our PHEV and EREV battery products with cycle life of up to 4,000 cycles, and can reach up to 80% SOC in 30 minutes.

- In response to high requirements by HEVs on battery power and cycle lives, the HEV batteries developed by us and our joint venture STAES cover two main technology pathways, namely Lithium-Ion and Ni-MH. They enjoy the advantages of high power, long cycle life and high safety with high power and peak discharge rate of 80C, and cycle life of up to 27,000 cycles.

- In response to the need for high energy density, safety, discharge rate and charging efficiency for power battery of electric aircraft, we launched our aviation battery products which have an energy density of over 320 Wh/kg, and can reach up to 80% SOC in 15 minutes. They can maintain a discharge rate of 12C at a low SOC of 20%. They can also reach aviation-grade level safety standards.

In addition to EV batteries, we have also introduced the 314 Ah high-capacity ESS battery product, with a cycle life expected to reach up to 12,000 cycles. We are also funded by the Industry and Information Technology Department of Jiangsu for sodium-ion battery industrialization. Our development of sodium-ion battery products includes two technology pathways, namely sodium-ion layered transition metal oxides and polyanionic compounds.

**Software-defined and intelligent manufacturing facilities based on AI and big data, leading to efficient and flexible battery cell manufacturing capabilities that are highly adaptable to changes in market demand**

We have designed software-defined battery manufacturing facilities with flexible battery cell manufacturing capabilities to achieve intelligent and efficient production. Our manufacturing facilities are also strategically located in close vicinities to each other in Changshu, which allows centralized operational management.

Our battery cell manufacturing facilities enable us to continuously improve manufacturing and cost efficiency, as well as enjoy a much shorter product development cycle. In our cooperation with a globally leading OEM on PHEV batteries, the time from initial product design to final product delivery was as short as one year. The automation rate of major manufacturing lines (defined by the percentage of machines and equipment that do not require any human interventions to run smoothly) reached over 95% in 2024, which is significantly higher than the industry average (approximately 90%), according to Frost & Sullivan. Our proprietary operational platform integrates the management of various operational steps, including sales, R&D, manufacturing, and supply chain; it also enables full-cycle management of technological parameters including parameter submission, changes, approval, application and tracking, as well as enables monitoring of manufacturing lines to support real-time decision-making. Our manufacturing work efficiency has increased by 33% (as measured by the reduction in the number of personnel required) as a result of our proprietary operational platform. We also collaborate with a global software leader, namely Dassault, in developing and deploying the manufacturing operations management customized for the battery industry, which enables the processing of a large amount of data within milliseconds.

Through AI deep learning and edge computing technologies, we have equipped our manufacturing lines with a high level of intelligence. Our visual inspection technology powered by AI can inspect product quality without human interference in order to reduce damage to bare cells. Our AI edge computing technology enables us to build a comprehensive coating-pressing-winding quality control system, which helps us to timely analyze and adjust equipment operating data and parameters throughout the manufacturing process to improve efficiency and quality. Our AI edge computing technology improves the coating consistency and pressing thickness consistency.

Our manufacturing lines are also highly flexible and can be converted to manufacture different product types (such as from EV batteries to ESS batteries, from NCM batteries to LFP batteries) with relatively low conversion costs and time. We achieve this through the adoption of predictive equipment design and flexible and intelligent manufacturing technique design since our expansion of production capacity in 2021. We possess independent manufacturing equipment development capabilities, and collaborate with leading equipment suppliers to complete the construction of our highly customized manufacturing lines. The time to convert a manufacturing line to produce at full capacity for those battery products of the same dimension to a different electrochemistry could reach as short as three days, and the time to convert a manufacturing line to produce at full capacity for those battery products of different dimensions could reach as short as 50 days.

A majority of our manufacturing facilities are also strategically located in close vicinities from each other in Changshu, which allows centralized operational management. On average, we are able to allocate resources among different facilities in Changshu and respond to abnormal alerts from each facility within 30 minutes.

**Deep and well-established customer relationships with leading players in the global mobility and energy storage industries**

We have established a large and high-quality customer base by establishing deep relationships with several leading companies in the global mobility and energy storage industry. Our EV battery customers include large state-owned enterprises, pure-play EV companies, and multi-national OEMs. The market share of our battery products among vehicle models of leading global OEMs, such as FAW Hongqi, GAC Trumpchi, Leap Motor, SAIC-GM Wuling, and SAIC-GM, continues to increase. In addition, we have established cooperation with various potential customers of our ESS battery products, such as Deye Holdings. We are also actively pursuing new collaborations in terms of mass production of our marine and aviation battery products with potential customers in the relevant fields.

We strive to establish deep relationships by achieving win-win for our customers and ourselves. We have been recognized as an “excellent supplier” by several leading OEMs and generally became the primary supplier for certain types of products by our key customers within three to four years of establishing relationships. For example,

- *Leap Motor*: we have become the primary battery supplier for Leap Motor, having established sales relationships with it for only three years. Leveraging our rich technologies, rapid product development and highly consistent product performance, we have received numerous recognitions from Leap Motor, including “Excellent Supplier” recognition for two consecutive years. We have also been selected as the battery supplier for all of Leap Motor’s popular vehicle models, and as the primary battery supplier for its vehicle models exported to Europe.

- *SAIC-GM*: we established cooperation with SAIC-GM in 2020, leveraging our superior product development speed. We have been selected as the battery supplier for several of SAIC-GM’s PHEV products. We completed the development of the PHEV battery pack product for installation in its vehicles within one year, which enabled SAIC-GM to launch its PHEV product ahead of schedule.

- *GAC Trumpchi*: we began cooperation with GAC Trumpchi in 2022, and successfully developed a customized PHEV battery pack product for it within 12 months, which effectively contributed to the customers’ strategic transformation and PHEV product launch. We now serve as the supplier of GAC Trumpchi, and provide battery products for all of its mass-produced PHEV models, including Trumpchi E9, E8 and ES9, among others.

- *SAIC-GM Wuling*: we began cooperation with SAIC-GM Wuling in 2022, and have become its top three battery supplier in terms of installation capacity. We are the primary battery supplier for many of its popular vehicle models, some of which have been exported overseas. We also received numerous recognitions from the customer on our supply stability and quality, and have been selected as the supplier for all of its battery cell platform projects.

- *FAW Hongqi*: we are the primary battery supplier for FAW Hongqi’s fleet of battery-swapping vehicles, the northernmost vehicle fleet in China. Mass deployment of our battery products enables FAW Hongqi’s fleet to operate under extremely low temperatures. We have also been selected by FAW Hongqi as the primary battery supplier for three of its PHEV models.

Notably, STAES is the primary battery pack supplier for major OEMs that are joint ventures with Toyota in China. Toyota enjoys a market share of over 70% in China’s HEV market in terms of 2024 sales volume, and has adopted a diverse product development strategy. We believe our close relationship with Toyota in China well positions us to enhance the operation performance of STAES. We hold a 50% equity interest in STAES, which is dedicated to the manufacturing of Lithium-Ion and Ni-MH battery packs for major OEMs that are joint ventures with Toyota in China. We expect our equity interest in STAES to positively impact our results of operations. We also expect to cooperate with Toyota on more fronts.

## OUR STRATEGIES

### Steadily expand manufacturing capabilities driven by changes in market demand

We plan to further expand our manufacturing capabilities to satisfy rapid increases in downstream market demand for our products, with an aim to achieve an overall manufacturing capacity of 50.5 GWh by the end of 2026. In particular, we plan to build new manufacturing facilities in Changshu in two stages with a total manufacturing capacity of approximately 25.0 GWh. The first stage of the expansion is expected to be completed by October 2025, and the second stage by December 2026. The newly established manufacturing lines will be equipped with advanced technology and equipment that reduce energy consumption and carbon emission, and improve manufacturing automation and intelligence.

We intend to further strengthen our software-defined manufacturing facilities by fully implementing the Andon management system, equipment failure prediction system, manufacturing technique optimization, and intelligent repair systems to further improve manufacturing efficiency. We also intend to improve the flexibility of our manufacturing lines by independently designing core equipment and shortening the amount of time to convert a manufacturing line to start manufacturing a different battery product. We will also explore techniques that enable the manufacturing of multiple product types on the same manufacturing line.

### Enrich our diverse product portfolio, covering standardized battery cells, platformed battery packs and diversified electrochemistries to improve the overall efficiency of the entire power battery industry chain

We plan to further enrich our product portfolio to cover more scenarios, featuring standardized battery cells, platformed battery packs and diversified electrochemistries. For EV batteries, we intend to launch new battery products for vehicles with different power sources (BEV, PHEV, EREV and HEV), different usages (sedans, SUVs and MPV), and driving ranges. We intend to strengthen and deepen our relationships with existing OEM customers to improve product penetration, as well as establish sales relationships with new OEM customers.

We intend to further develop our aviation battery products. In March 2024, the Ministry of Industry and Information Technology jointly promulgated the “Implementation Plan for the Innovation and Application of General Aviation Equipment (2024-2030)” with three other departments, which states that by 2030, China will have an advanced, intelligent and environmentally friendly general aviation industry development model; general aviation equipment will be fully integrated into residential lives, becoming a significant growth driver for low-altitude economy and leading to the emergence of a large industry of over RMB1,000.0 billion. We are well-positioned to tap into this enormous market opportunity. We are the first EV battery company in China to receive the AS9100D Aerospace Quality Management System recognition, and one of the first companies in Suzhou leading the “low-altitude economy” initiative. Our aviation battery products enjoy the advantages of safety, discharge rate, energy density and charging speed. We have begun early-stage sample sales.

We also plan to diversify our ESS battery products for power-generation, industrial and commercial, industrial and residential energy storage use cases, focusing on both centralized and distributed energy storage battery products. We intend to further expand our ESS battery products for marine customers. We have begun cooperation with a customer who has selected our ESS battery for their ships.

**Further implement our R&D strategy**

We intend to conduct market-driven layout of new material and electrochemistries, technology platforms and product. Specifically, we plan to focus on the following areas of further R&D:

- *Ultra fast charging technology.* We plan to continue to optimize battery materials, electrode and cell structures, battery systems, among others, to further improve fast charging performance while maintaining the energy density of current mass produced LFP and NCM products to meet customers' needs. In terms of battery materials, we plan to optimize the cathode and anode materials as well as their particle sizes and surface coatings to reduce the solid phase diffusion impedance and interface charge transfer impedance. At the electrode and cell level, we plan to further improve the lithium ion transportation capability by means of porous electrode tortuosity and porosity design, and regulate the ionic conductivity and interface resistance by optimizing the solvent and lithium salt system and additives. In terms of battery systems, we plan to continue to increase the research on the battery pack thermal management, and achieve controlled temperature rise under extreme fast charging.

- *New battery materials.* We plan to increase investment in the R&D of in ultra-high nickel cathode and new silicon-carbon anode materials to achieve the development of high energy density battery products to meet the needs of high-end passenger vehicles and other application scenarios. In terms of the development of hybrid phosphate, we strive to achieve better life performance through the development of new phosphate materials and their compounding systems and pre-lithiation technology, thus further improving the cost performance and user experience of battery products. We also plan to optimize alkali metal ion materials, develop battery products with better performance and lower costs to meet the needs of cost-sensitive applications.

- *Solid state research.* We plan to enhance our efforts to explore solid-state electrolyte materials with high ionic conductivity, study the interface characteristics of solid-state electrolytes and porous electrodes, improve the comprehensive performance of semi-solid-state and solid-state batteries, and accelerate the industrial application of semi-solid-state and solid-state battery products to meet the needs of emerging usage scenarios, such as ultra-long-range passenger vehicles and electric aircraft.

**Expand our business globally through diverse approaches**

We plan to actively expand our sales presence overseas through further cooperation with domestic and overseas customers, specifically:

We plan to collaborate with domestic OEMs on the installation of our batteries on vehicles that they intend to export in order to expand our sales overseas. We have established such collaboration with SAIC-GM Wuling where our battery products had been installed in the vehicles exported to India and Indonesia. We have also been selected by Leap Motor to provide batteries for their exported vehicle model, T03, which has been bulk exported to the EU market.

We also intend to directly establish sales relationships with overseas customers and directly export our batteries. We have entered into a sales agreement with an OEM in Germany to sell our electrodes, and with a company in France to sell our sodium-ion batteries.

## BUSINESS MODEL

We are a lithium-ion battery manufacturer in China, committed to developing a diverse portfolio of market-driven and technology-fueled battery products. We primarily focus on the R&D, production and sales of EV battery products, ESS battery products, and aviation battery products. We provide integrated battery solutions, encompassing battery cells, modules, packs, racks, and battery management systems dedicated to large-scale applications of electrochemical products to more application scenarios. We are highly focused on technology innovation and developing products with strong performance and high safety.

The growth drivers in the battery industry have evolved from policy and capital investment to market demand over the past few years. Before 2020, decisions to expand EV battery manufacturing capabilities by EV battery manufacturers were primarily driven by policy on new energy vehicles, and manufacturing capacity was designed and constructed for electrochemistries that fit the government subsidy policies under the significant capital support. After 2021 when such subsidy policies began to expire, such manufacturing capacity cannot adequately accommodate diversified electrochemistries that are safer and more cost competitive, and are not flexible to capture the rapid growth in new power battery applications (such as PHEV and EREV). The power battery industry has now reached a critical inflection point, where key competitiveness of battery manufacturers hinges on their understanding and precise alignment with the needs of OEM customers.

For example, regulations and subsidy policies drove the construction of manufacturing lines that were dedicated to certain battery types, such as NCM batteries or batteries designed for BEVs. As market demands begin to shift to other electrochemistries, and as other vehicle types begin to gain tractions in the global EV market, such as PHEVs, EREVs and HEVs, these early manufacturing lines tend to become increasingly obsolete and their utilization rate continues to decline, as they did not build in sufficient flexibility to adapt to the evolving battery technology and market demand. We have developed deep insights and understanding into the development trends in China's EV battery market very early on, and have established market-driven manufacturing capabilities and technology platforms that can flexibly adapt to development in prevailing battery technology pathways and use cases. We believe such insights, understanding and judgment of production capacity help us better serve OEMs' needs and achieve more sustainable business growth.

We procure raw materials from trusted and selected suppliers to ensure the quality and stability of raw material supplies. We also extensively collaborate with production equipment suppliers to customize our production equipment, which helps us achieve a flexible manufacturing system under which our manufacturing lines can be reconfigured in a timely and cost-efficient manner to produce battery products of a different technology pathway when demanded by customer orders. We are also able to understand and fulfill customer needs and establish relationships with OEMs and other customers worldwide, leveraging our experience and insight in the auto part industry. We adopt a customer-oriented approach where we closely and proactively work with customers to predict customer demands, which then form the basis for our production capacity expansion, production resource procurement and manufacturing line allocations. Beyond development and sale of battery products, we are currently negotiating licensing agreements with potential customers overseas to out-license our battery technologies to further diversify our business.

## PRODUCTS

We have developed a comprehensive portfolio of battery-related products (battery cells, modules, packs, racks, and management systems) covering a wide range of technology pathways and use cases. Our products primarily include EV batteries (including BEV, PHEV, EREV and HEV), ESS battery products, and aviation battery products. As of the Latest Practicable Date, our EV battery products and ESS products have reached mass production. We adopt standardized battery cells and platformed battery packs, and differentiate their performance with diversified electrochemistries to enable OEM customers to more flexibly use our products in different vehicle types and use cases.

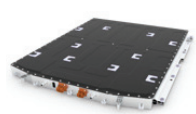
### EV Battery Products

Our EV battery products cover battery cells, modules, packs, and battery management systems for a wide range of vehicle types, including BEVs, PHEVs, EREVs and HEVs.

#### *BEV Battery Products*

BEV battery products represent our primary source of sales revenue during the Track Record Period. Our BEV batteries have advantages such as high energy density, performance consistency, long cycle life and ultra-fast charging. Our BEV battery products have been selected by various OEMs for installation in a variety of vehicle models, and have begun mass production and delivery. Our revenue from sale of BEV battery products was RMB1,448.0 million, RMB3,103.1 million, RMB2,371.0 million, and RMB3,012.3 million in 2021, 2022, 2023 and 2024, respectively.

The following table sets forth the details of our key BEV battery products.

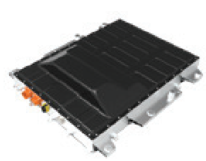
| Type | Picture | Specification | LFP | NCM |
|---|---|---|---|---|
| Cell . . . . . |   | Battery shape | Prismatic | Prismatic/ cylindrical |
| | | Chemical system | LFP/Gr | NCM/Gr (SiO) |
| | | Capacity (Ah) | 103-218 | 49-230 |
| | | Gravimetric density (Wh/kg) | 175-196 | 220-306 |
| | | Fast charging time from 10% to 80% SOC (min) | 19-35 | 18-35 |
| Module. . . |  | Characteristics | Single and double row modularization; integration efficiency reaches 94%; no thermal propagation | Integration efficiency reaches 94%; no thermal propagation |
| Pack . . . . |  | Energy (kWh) | 60.4* | 73-170* |
| | | Gravimetric density (Wh/kg) | 145* | 160-245* |
| | | Characteristics | Integration efficiency reaches 76%*; no-fire and no-explosion* | Integration efficiency reaches 80% |

*Note:*

* Represents specifications in development.

### *PHEV and EREV Battery Products*

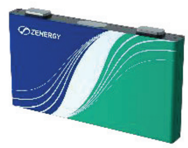
The following table sets forth the details of our key PHEV and EREV battery products.

| Type | Picture | Specification | | |
|---|---|---|---|---|
| | | | LFP | NCM |
| Cell . . . . . |  | Battery shape | Prismatic | Prismatic |
| | | Chemical system | LFP/Gr | NCM/Gr |
| | | Capacity (Ah) | 54-88 | 72 |
| | | Gravimetric density (Wh/kg) | 167-180 | 225 |
| | | Fast charging time from 10% to 80% SOC (min) | 18-35 | 35 |
| Module. . . |  | Energy (kWh) | N.A. | 6.4 |
| | | Gravimetric density (Wh/kg) | | 210 |
| | | Characteristics | | Integration efficiency reaches 93%; no thermal propagation |
| Pack . . . . |  | Energy (kWh) | 24.4 | 25.6 |
| | | Gravimetric density (Wh/kg) | 130 | 147 |
| | | Characteristics | No-fire and no-explosion | No-fire and no-explosion |

### *HEV Battery Products*

The HEV batteries developed by us and our joint venture STAES cover two main technology pathways, namely Lithium-Ion and Ni-MH battery packs. They enjoy the advantages of high power, long cycle life and high safety. They have also passed the nail penetration test. Their peak discharge rate of 80C, and cycle lives of up to 27,000 cycles. Our HEV battery products have been selected by various OEMs for installation in a variety of vehicle models, and have begun mass production and delivery.

The following table sets forth the details of key HEV battery products.

| Type | Picture | Specification | | |
|---|---|---|---|---|
| | | | LFP | NCM |
| Cell . . . . . |  | Battery shape | Prismatic | Prismatic |
| | | Chemical system | NCM/Gr | NCM/Gr |
| | | Capacity (Ah) | 5.5 | 5.0 |
| | | Gravimetric density (Wh/kg) | 102 | 92 |
| | | Maximum pulse discharge rate (C) | 60 | 80 |

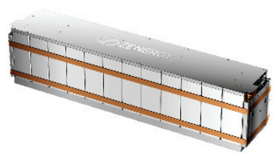
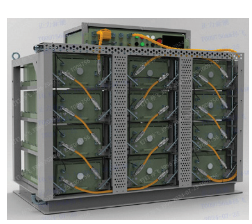
**ESS Battery Products**

Our ESS battery product portfolio covers battery cells, modules, systems and battery racks, providing one-stop service from battery cells to system integration. In particular, our 314 Ah high-capacity energy storage battery cells have obtained TÜV IEC 62619 and UL 9540A certifications, with a maximum energy density of 180 Wh/kg, a cycle life expected to reach up to 12,000 cycles, an energy efficiency of up to 95%, and a capacity retention rate of over 91% at temperatures below -20°C. Along with our existing ESS battery product portfolio, including 50Ah, 104Ah, 280Ah, and 302Ah, we provide comprehensive coverage across various use cases such as power-generation, commercial, industrial and residential energy storage.

We also offer battery modules and battery packs used for ESS scenarios. Our ESS battery module and battery pack offerings include air cooling battery packs, liquid-cooled battery packs, battery clusters, outdoor cabinets and containers, which can fully cover various energy storage use cases, including electricity power generation, commercial, industrial and residential energy storage.

The customers for our ESS products during the Track Record Period apply our ESS products under scenarios on the power-generation side as well as on the demand side (such as commercial, industrial, and residential). According to Frost & Sullivan, the energy storage market in China faces many uncertainties in terms of relatively low entry barriers and increased competition. We enter into sales agreements with our ESS customers with typical terms of one year. As of the Latest Practicable Date, we did not have any backlog orders.

The following table sets forth the details of our key ESS and marine battery products.

| Type | Picture | Specification | LFP |
|---|---|---|---|
| Cell |  | Battery shape | Prismatic |
| | | Chemical system | LFP/Gr |
| | | Capacity (Ah) | 104-314 |
| | | Gravimetric density (Wh/kg) | 165-180 |
| Module |  | Characteristics | Integration efficiency reaches 94%; no thermal propagation |
| Liquid-cooled Battery Pack |  | Energy (kWh) | 6.7-50.3 |
| | | Gravimetric density (Wh/kg) | 126-136 |
| | | Characteristics | No-fire and no-explosion |
| Liquid-cooled Outdoor Cabinet* |  | Capacity (Ah) | 302 |
| | | Nominal voltage (V) | 1,331.2 |
| | | Energy (kWh) | 402 |
| | | Cooling method | Liquid-cooled |
| | | Size (length, width, height, mm) | 1,380×1,400×2,330 |
| 5MWh Container* |  | Capacity (Ah) | 3,768 |
| | | Nominal voltage (V) | 1,331.2 |
| | | Energy (kWh) | 5,016 |
| | | Cooling method | Liquid-cooled |
| | | Container size (ft/m) | 20/6.05 |
| Energy Storage Power Battery System for Electric Ships |  | Capacity (Ah) | 560 |
| | | Nominal voltage (V) | 691.2 |
| | | Energy (kWh) | 387 |
| | | Cooling method | Liquid-cooled |
| | | Size (length, width, height, mm) | 1,752×1,900×1,380 |

*Note:*

* Represents products in development.

## ESS Products under Sea Application Scenario

The development of electric ship batteries since 2019 has been marked by significant policy support and financial incentives from central and local governments in China. This has catalyzed the growth of new energy vessels, guiding the industry with strategic plans and subsidies. As a result, the installed capacity of electric ship batteries in China has grown from approximately 0.2 GWh in 2020 to 2.0 GWh in 2024, representing a CAGR of 72.4%, and is expected to further reach 104.7 GWh by 2029, representing a CAGR of 121.2% from 2024 to 2029.

To capture such growth opportunities to the nautical application of battery products, we have developed multiple battery products suitable for electric ships, including the 1P18S, 1P24S, and 1P30S variants, addressing both energy and power-intensive applications. 1P24S and 1P30S are still under product development. In terms of certifications, we have been included in the Ministry of Industry and Information Technology's "Lithium-Ion Battery Industry Norms and Conditions" whitelist (the eighth batch), qualifying us as a participant in the electrification of ships.

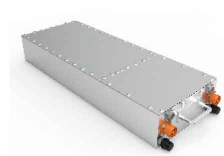
## Aviation Battery Products

Our aviation battery products are distinguished by their high energy density, rapid charging capability, and robust discharge rates, essential for safe landings and emergency situations. With energy densities exceeding 320 Wh/kg and the ability to charge to 80% SOC in 15 minutes, our batteries maintain high discharge rate of 12C even at low power level of 20% SOC, meeting aviation needs for safe landing and emergency handling. Utilizing a thermal-electrical separation design, our battery systems meet manned aviation safety standards by preventing thermal runaway at the pack level.

Our offerings include prismatic, pouch, and large cylindrical formats, catering to diverse customer needs with comprehensive solutions encompassing cells, modules, packs, and battery management systems ("**BMS**"). We have established collaborative relationships with leading eVTOL manufacturers, both domestically and internationally, for product validation.

Our aviation battery solution features high energy density, high safety, high discharge rate and ultra-fast charging capabilities. We are the first power battery company in China to obtain AS9100D Aerospace Quality Management System Certification. This ensures both ultra-high energy density and high safety, meeting energy density requirements of over 320 Wh/kg. The negative electrode of our aviation battery products adopts a novel silicon-based hybrid material, exhibiting lower expansion and longer cycle performance compared to traditional silicon negative electrode materials. This ensures a long lifespan while meeting high energy density requirements, with a cycle life of over 1,500 cycles. Our unique electrode and system design enables 80% SOC within 15 minutes, and 12C discharge at 20% SOC, matching various unique operating conditions such as aircraft takeoff, landing, and handling of an emergency. Our aviation battery products are available in various forms including cylindrical, pouch and prismatic, catering to diverse aviation battery use cases.

The following table sets forth the details of our key aviation battery products.

| Type | Picture | Specification | |
|---|---|---|---|
| | | | NCM |
| Cell . . . . . . . . . . |  | Battery shape | Prismatic/pouch/ cylindrical |
| | | Chemical system | NCM/Gr (SiO) |
| | | Capacity (Ah) | 8.1-68 |
| | | Gravimetric density (Wh/kg) | 275-306 |
| | | Fast charging time from 10% to 80% SOC (min) | 15-21 |
| Pack* . . . . . . . . . |  | Characteristics | CTP structure |

*Note:*

* Represents products in development.

In June 2024, we entered into a strategic cooperation framework agreement with an aviation research institute, an aircraft manufacturing company, and an aviation company on the development of electric light sport aircraft, and subsequent models, aiming to lead both the domestic and international electric aircraft markets. We are the first power battery company in China to receive the AS9100D aerospace quality management system certification, affirming our capabilities in R&D, manufacturing, and management within the air application scenario.

As one of the first companies in Suzhou leading the "low-altitude economy" initiative, we plan to continue increasing investment to maintain our competitive edge in this emerging field.

The following table sets forth a breakdown of our revenue by product type both in absolute amount and as percentages of our total revenue during the years indicated.

| | Year Ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | | 2024 | |
| | | % | | % | | % | | % |
| | (RMB in thousands, except for percentages) | | | | | | | |
| Power battery | 1,448,045 | 96.6 | 3,116,066 | 94.7 | 3,356,865 | 80.7 | 4,663,775 | 90.9 |
| *By product* | | | | | | | | |
| NCM | 1,448,045 | 96.6 | 2,628,589 | 79.9 | 1,447,995 | 34.8 | 1,357,268 | 26.5 |
| LFP | – | – | 487,477 | 14.8 | 1,908,870 | 45.9 | 3,306,507 | 64.4 |
| *By downstream application* | | | | | | | | |
| BEV | 1,447,952 | 96.6 | 3,103,107 | 94.3 | 2,370,954 | 57.1 | 3,012,278 | 58.7 |
| PHEV | – | – | 8,567 | 0.3 | 971,673 | 23.3 | 1,644,206 | 32.0 |
| Other applications(1) | 93 | 0.0 | 4,392 | 0.1 | 14,238 | 0.3 | 7,291 | 0.2 |
| ESS products | – | – | 2,768 | 0.1 | 315,306 | 7.6 | 213,409 | 4.2 |
| Other products and services(2) | 51,251 | 3.4 | 171,419 | 5.2 | 489,499 | 11.7 | 253,133 | 4.9 |
| Down-grade products(3) | 16,950 | 1.1 | 35,539 | 1.1 | 278,017 | 6.6 | 92,763 | 1.8 |
| Waste materials(4) | 27,485 | 1.8 | 109,540 | 3.3 | 132,554 | 3.2 | 130,249 | 2.5 |
| Others | 6,816 | 0.5 | 26,340 | 0.8 | 78,928 | 1.9 | 30,121 | 0.6 |
| **Total** | **1,499,296** | **100.0** | **3,290,253** | **100.0** | **4,161,670** | **100.0** | **5,130,317** | **100.0** |

*Notes:*

(1) Primarily include HEV and aviation applications.

(2) Primarily include the sales of down-grade products and waste materials, as well as the provision of technical support services. The provision of technical support services was mainly to develop and test products for our customers. Such services were customized and developmental in nature.

(3) Revenue from the sale of down-grade products accounted for 6.6% of our total revenue both in 2023, which was primarily due to material adverse change in the business operations of one of our OEM customers ("**WM Customer**") and its prolonged delay and inability to settle its receivables (the "**WM Customer Incident**") in 2022. After the WM Customer Incident, we sold inventories originally produced for WM Customer to other customers as down-grade products in 2023.

(4) Primarily include materials discarded during the production process, such as cathodes, anodes, battery cells, and scrap materials like copper foil and aluminum foil.

EV sales in China demonstrate significant seasonal patterns, primarily driven by seasonal demand fluctuations, policy influences, holidays, and climate conditions, among other factors; EV sales during the second half of each year tend to be higher than the first half, with the fourth quarter bringing the largest quarterly sales volume of the year, according to Frost & Sullivan. Specifically, the demand and production schedules of OEM customers typically decrease in the first quarter due to Chinese New Year holiday, and gradually resume in the second quarter when OEMs typically launch new vehicle models. The third and fourth quarters are the traditional peak demand and sales period in the China's automotive market, with more new models in the market, leading to higher sales volumes in the second half of each year during the Track Record Period. The sales of our products to OEMs are therefore also affected by the above patterns. Our sales volumes are typically lower in the first half of each year compared to the second half of each year during the Track Record Period.

**Sales Volume and Average Selling Price**

The following table sets forth a breakdown of sales volume during the years indicated.

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | **2021** | **2022** | **2023** | **2024** |
| | *(MWh)* | | | |
| Power Battery | 2,106.7 | 3,634.4 | 5,906.7 | 11,314.4 |
| *By Product* | | | | |
| NCM | 2,106.7 | 2,947.3 | 1,466.0 | 1,765.0 |
| LFP | – | 687.1 | 4,440.7 | 9,549.4 |
| *By downstream application* | | | | |
| BEV | 2,106.6 | 3,631.4 | 4,980.6 | 9,210.5 |
| PHEV | – | 2.4 | 924.5 | 2,095.0 |
| Other applications[1] | 0.1 | 0.6 | 1.5 | 8.8 |
| ESS products | – | 3.1 | 751.0 | 575.2 |

*Note:*

(1) Primarily include HEV and aviation applications.

The following table sets forth a breakdown of average selling price during the years indicated.

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(RMB/Wh)* | | | |
| Power battery | 0.69 | 0.86 | 0.57 | 0.41 |
| *By product* | | | | |
| NCM | 0.69 | 0.89 | 0.99 | 0.77 |
| LFP | – | 0.71 | 0.43 | 0.35 |
| *By downstream application* | | | | |
| BEV | 0.69 | 0.85 | 0.48 | 0.33 |
| PHEV | – | 3.59 | 1.05 | 0.78 |
| Other applications(1) | 0.62 | 6.88 | 9.31 | 0.83 |
| ESS products | – | 0.89 | 0.42 | 0.37 |

*Note:*

(1) Primarily include HEV and aviation applications.

Based on customer demand, we offer different battery cells, modules and packs for different vehicle models, and our standardized battery products can be customized for multiple OEM customers based on their specifications.

***Our Star Products***

Our R&D capabilities have enabled us to develop the following battery technologies with unique product features and advantages:

- *High energy density and fast charging LFP battery:* Through optimization of materials and electrode design, we have increased the gravimetric energy density to approximately 190Wh/kg; through the development and introduction of high press density lithium iron phosphate materials, our LFP battery achieves volumetric energy density of over 430 Wh/L as well as fast charging capabilities of 2.2C.

- *PHEV and EREV batteries.* Our PHEV and EREV batteries enjoy the extremely high cycle life of up to 4,000 cycles, and can reach up to 80% SOC in 30 minutes.

- *HEV batteries.* The HEV batteries developed by us and our joint venture STAES cover two main technology pathways, namely Lithium-Ion and Ni-MH. They enjoy the advantages of high power, long cycle life and high safety, with peak discharge rate of 80C, and cycle life of up to 27,000 cycles.

- *Universe series (BEV battery pack)*. Although we have not commenced mass production, we have completed the development of our Universe series BEV battery pack and already produced samples. Our Universe series BEV battery pack enjoys an energy density up to 260 Wh/kg, and can reach 70% SOC in as fast as seven minutes. It features a pioneering tenon-and-mortise assembly technology, making it the first in the industry to enable single cell disassembly and easy maintenance, according to Frost & Sullivan.

- *Loong series (BEV battery pack)*. Although we have not commenced mass production, we have completed the development of our Loong series BEV battery pack and already produced samples. Our Loong series BEV battery pack achieves a total battery capacity of 170 kWh, which is the highest among passenger EV battery pack products in China as of December 31, 2024. It adopts dual semi-solid-state technology, which enjoy an energy density of 306 Wh/kg, and can reach 70% SOC from 10% SOC within nine minutes.

- *Aviation battery products*. We are the first EV battery company in China to receive the AS9100D Aerospace Quality Management System recognition, and one of the first companies in Suzhou leading the "low-altitude economy" initiative. Our aviation battery products have an energy density of over 320 Wh/kg, and can reach up to 80% SOC in 15 minutes. They can maintain a discharge rate of 12C at a low SOC of 20%. They can also reach aviation-grade level safety standards.

## RESEARCH AND DEVELOPMENT

With understanding of OEM customers' demands to balance safety, quality, performance, and cost efficiency, we established our forward-looking "5-3-1" R&D strategy under which we developed diverse EV battery products, and are proactively conducting R&D on aviation battery products, placing us in a favorable position of application scenario expansion and rapid technological iterations in the battery industry. Under our "5-3-1" R&D strategy, our research institute is responsible for analyzing and preparing for the development trends in battery material and related technologies of the next five years; our platform center is responsible for establishing the requisite R&D platform and capabilities to carry out the relevant R&D work for the next three years; and our product center is responsible for designing the detailed technologies and product specs for battery products for launch in the next one year.

Our R&D process includes the following steps. Based on our communications and deep connections with customers, our senior management team determines trends in customer demands, and strategizes on which technologies to develop. After initiating a technology development project, we assign an overall project manager who then assembles project teams consisting of personnel from various teams, such as raw material development, product design, testing and verification, engineering and production, quality control, finance, and sales. Such cross-departmental R&D project teams ensure that technology development can be smoothly converted into viable commercial products, namely that our newly developed technologies can be implemented into actual products that appropriately address customer demands, meet relevant quality standards, can be compatible with our production capacity, and achieve cost efficiency.

Our R&D team then develops sample products for technical assessment, which primarily compares the details of the newly developed products and technologies against customer requirements. After entering mass production, our R&D team continues to carefully monitor the supplier selection, production and quality control processes, and conducts routine maintenance and modifications based on customer feedback and circumstances that arise during actual production and application.

**R&D Teams**

We had 1,060 full-time employees in our R&D function as of December 31, 2024, approximately 28% of whom held a Master's degree or above. Our core R&D team has an average professional experience of over 10 years in the new energy battery industry. Our R&D function comprises the following entities, each tasked with a different aspect of our research and development activities.

- *Research institute.* Our research institute is responsible for conducting scientific research on (i) research on new electrochemistries and advanced materials and technologies, such as solid-state batteries and sodium-ion batteries; and (ii) research on application materials for cathode, anodes, separators, electrolytes, and other components of battery products. Our research institute also has laboratories to perform testing and verification of raw materials and batteries.

- *Platform center.* Our platform center is dedicated to establishing a common R&D platform encompassing research on advanced product design, process technology and failure mechanism and emulation, which helps improve the efficiency in developing new technologies and products.

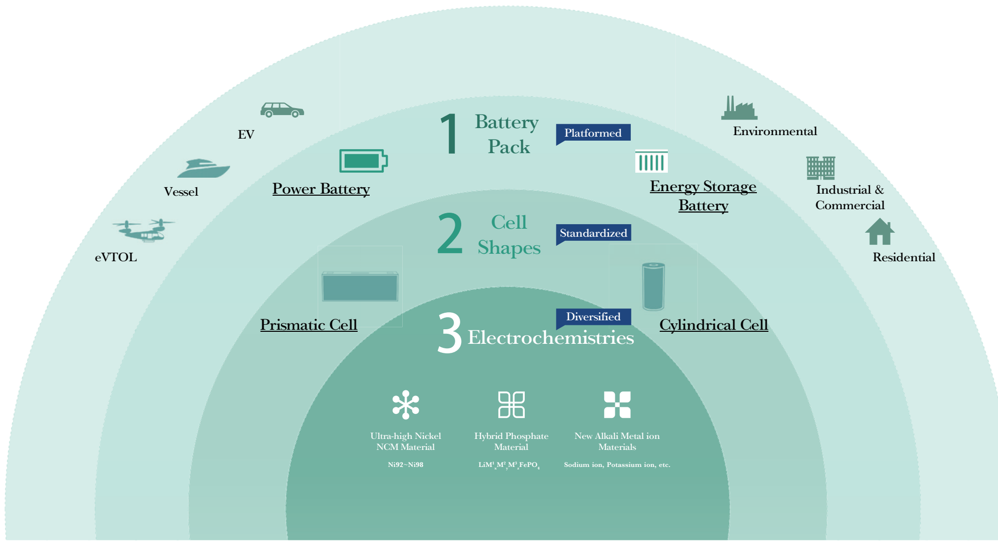
- *Product center.* Our product center is responsible for (i) analyzing the latest industry development trends and understanding customer needs in order to develop new types of battery cells, modules and packs; (ii) R&D on product reliability and safety; and (iii) management of intellectual properties that arise during our R&D efforts.

- *Engineering center.* Our engineering center is responsible for coordinating our product technologies with our manufacturing lines to ensure that the newly developed technologies and product designs can be converted into commercialized products.

## Our Key Technologies

### *R&D Pipeline*

The following chart sets forth our major technologies.




- *3 electrochemistries and advanced materials.* Our R&D pipeline includes the adoption of three different electrochemical cathode materials, namely ultra-high nickel multi-element material, hybrid phosphate material and new alkali metal ion materials. The ultra-high nickel NCM material, such as Ni92 to Ni98, is primarily designed for batteries for high-end passenger vehicles that require a long driving range. Hybrid phosphate materials, such as LMFP materials, are further developed based on existing LFP materials with higher energy density. New alkali metal ion materials, such as sodium-ion and potassium-ion materials, are designed for price-sensitive use cases, such as small-sized EVs and ESS use cases.

- *2 Battery Shapes.* While currently all our battery cell products under mass production adopt the prismatic battery shape, we are developing the cylindrical battery shape and planning the corresponding manufacturing lines to enrich the shapes of our battery cell products and provide diversified choices for future market demand.

- *1 Cell Renewable Pack System.* Our highly integrated Universe series BEV battery pack system has high energy density and ultra-fast charging capabilities. It adopts thermoelectric separation, pole cooling and dual liquid cooling technologies. Its pole mortise and tenon joint structure realizes the electrical connection of the battery cells, avoiding the use of busbar laser welding and structural adhesive, thus enabling the replacement of a single battery cell in the battery system, which greatly reduces the after-sales maintenance cost, and brings convenience for future reuse and raw material recycling. As of December 31, 2024, we have been granted 60 patents for the key technologies of our Universe series BEV battery pack system.

***Standardized Battery Cells and Platformed Battery Packs***

Driven by cost concerns, OEMs are increasingly demanding batteries that are compatible with various vehicle types that have different driving ranges and application scenarios (such as sedans, SUVs and MPVs) and meet the requirements for diverse product portfolio. This would enable OEMs to effectively reduce the number of vehicle development platforms, resulting in significant savings in their development costs. We cooperate with OEMs to redefine the approach to product development by adopting standardized battery cells and platformed battery packs, and differentiate their performance with diversified electrochemistries, which enable more efficient and low-cost integration of our products into their different vehicle models. This approach also lowers our own R&D and manufacturing costs.

For example, we developed standardized battery cells and platformed battery packs for GAC Trumpchi which are compatible with multiple vehicle models such as mid-size and mid-to-large-size MPV and mid-to-large size SUVs. In our cooperation with another established OEM in China, we developed different NCM and LFP battery cell products of the same shape for its PHEV models with 150 km and 200 km driving ranges, respectively. The manufacturing of battery cells of the same configuration but different electrochemistries requires only one set of molds, and the time to convert the manufacturing line to produce at full capacity for those battery cells of the same dimension to a different electrochemistry could be as short as three days.

***Diversified Electrochemistries***

We have also built in diversified electrochemical designs to ensure our battery products, while maintaining standardized battery cells and platformed battery packs for high compatibility, satisfy customers' varying needs for product performance and costs. We have developed various NCM and LFP battery products, and have a pipeline of LMFP batteries, sodium-ion batteries, and semi-solid-state and solid-state technologies. Our multi-generation and diverse technology capabilities and pipeline help us develop diversified products to cover a number of vehicle types, including SUV, sedans and MPV with wide-ranging driving ranges and cost requirements.

***High Energy Density Technology***

To enhance the energy density of our battery products, we have developed a series of the following technologies focusing on improving the energy density of our products.

*High Energy Density NCM Battery*

With respect to NCM battery, we utilize ultra-high nickel cathode materials with more than 90% nickel combined with silicon-based anodes, achieving an energy density exceeding 300-330Wh/kg in prismatic cases. Our product currently under development with the highest energy density has reached 400Wh/kg.

*Semi-solid-state and Solid-state Battery*

The introduction of ultra-high nickel positive electrode and silicon negative electrode decreases the thermal stability of the cell, which brings great challenges in terms of safety. We have developed semi-solid electrolyte technologies, including solid electrolyte surface modification technology for ultra-high nickel ternary cathode materials, solid electrolyte hybrid separator technology, and solid electrolyte modification for positive and negative electrode, which have resulted in a 10°C increase in the cell failure onset temperature and a 150°C reduction in the maximum temperature after failure, improving the safety of ultra-high nickel-silicon anode systems and enabling the application of such radical chemical systems. Meanwhile, we are also developing solid-state electrolytes which include sulfides and oxides, and are designed to avoid the use of flammable organic solvents, further enhancing the safety of the battery cells.

*High Energy Density Battery Materials*

With respect to LFP battery, through optimization of materials and electrode design, we have increased the gravimetric energy density to approximately 190Wh/kg in prismatic aluminum cases. In addition, we have elevated volumetric energy density to over 430Wh/L through the development of high press density LFP materials, which enables more energy to be stored within the same battery pack space. In addition, through multi-layer coating technology, we have optimized electrode porosity structure to enhance kinetic performance, achieving fast-charging capabilities of up to 4C, and even 6C, while maintaining thick coatings and high energy density, further enhancing the competitive strengths of LFP products.

Given its safety and cost efficiency, the LFP system, with the overwhelming comprehensive advantages, will dominate the market in the foreseeable future. The development of such high-energy-density, fast-charging LFP cells will significantly bolster our commercial success. As an upgrade of lithium iron phosphate, lithium manganese iron phosphate (LMFP) has gained wide attention in the industry in recent years. With similar capacity, LMFP features a higher voltage plateau. However, the LMFP material has its own defects, such as poor electrical conductivity and low press density. Therefore, while optimizing the LMFP material itself, we are also developing the hybrid electrochemistry, which blends LMFP with NCM simultaneously. Currently, we have developed LMFP blended NCM products with energy densities of 220Wh/kg and 500Wh/L, which are substantially higher than LFP products. The LMFP blended NCM product has been sent to European leading OEMs for evaluation.

*High Energy Density Sodium-ion Battery*

As a supplement to Lithium-Ion batteries, we are also actively laying out the field of sodium-ion batteries to deal with the possible shortage of lithium resources. Our sodium-ion battery technology routes are divided into the polyanion cathode route and the layered oxide cathode route. In terms of polyanion cathode, we have developed a 15Ah sodium-ion battery in cooperation with a company in France, which has a nominal voltage of 3.6V, a capacity retention rate of more than 94% in 20C discharge, and a long lifespan of more than 3,000 cycles. This product is designed for PHEVs and UPS energy storage. In terms of layered oxide cathode, we have independently developed high specific capacity cathode materials. We first carry out simulation screening at the theoretical level, and then seek the optimal element type and ratio content through experimental verification. At the same time, we are also actively developing high-capacity and high press density hard carbon anode materials, and through the optimization of cell chemistry, cell design and DOE, the energy density of sodium-ion battery cell products has exceeded 130 Wh/Kg. Meanwhile, we won the industrialization project of sodium-ion battery from the Industry and Information Technology Department of Jiangsu.

*High Energy Density Semi-solid Large Cylindrical Battery*

For our large cylindrical batteries, we pioneered the same-side tab technology, employing a multi-tab winding structure that places both the positive and negative tabs on the same side of the jelly roll, which led to a 3% improvement in volume utilization rate. Concurrently, current extraction from the top of the cell significantly shortens the electron transmission path, reducing the ohmic resistance by 29%. Combined with ultra-high nickel cathode and silicon anode systems as well as semi-solid electrolytes, the cell achieves an energy density of up to 306Wh/kg, while supporting fast-charging capabilities up to 4C. As of December 31, 2024, we had been granted 17 patents for our semi-solid-state large cylindrical technology.

*Ultra-thin Current Collectors*

We introduced the 4.5μm copper foil and 10μm aluminum foil. Leveraging such ultra-thin current collector technologies, we can further enhance the gravimetric energy density of our battery cell products by approximately 3%.

As of December 31, 2024, we have been granted 52 patents for our high energy density technology.

***Ultra-fast Charging Technologies***

We holistically optimize battery material, electrode structure and battery system, among other things, which greatly improve the fast charging capacity of the battery cells and have a very high safety profile. Currently, we have completed the initial development of 6C fast-charging NCM and LFP products. As of December 31, 2024, we have been granted 57 patents for our ultra-fast charging technologies.

In terms of cathode materials, we engage in the forward design of the particle morphology and particle gradation through simulation to optimize material capacity, compaction and dynamic performance. Through the doping of specific elements, the lattice parameters are optimized to reduce the binding force of lithium ions and shorten the lithium ion transmission path so as to improve the ion conductivity of the cathode. Through efficient carbon coating technology, the thickness and crystallinity of the carbon coating layer are optimized to achieve the unity of the capacity and kinetic performance of the material. In the design of the cathode, we build a three-dimensional conductive network in the cathode by designing different types of conductive agent compounding to improve the electronic conductivity of the cathode.

In terms of anode materials, we developed isotropic and small particle size graphite materials, and optimized the thickness and structure of its surface coating layer, thereby reducing electrochemistry impedance and improving charging capacity. In terms of anode design, we use gradient electrode design technology to achieve a balance between high energy density and high dynamic performance.

Through multi-layer coating technology, we optimized the anode reactive dynamics and void structure, which greatly improve the ion transmissibility of the anodes. Compared with single-layer coating, the multi-layer coating technology incorporates different designs for each layer, thus giving full play to the synergistic effect of multiple materials, and realizing the targeted design of the distribution of active materials as well as conductive agents and adhesives in the electrode. This improves the batteries' charging speed, reduces battery impedance. The mechanism includes (i) improving the interfacial reactivity of the surface layer of the electrode to transport lithium ions from the electrolyte to the anode at medium and fast speed; and (ii) increasing the porosity of the surface layer of the electrode and decreasing the tortuosity of the electrode so as to facilitate the lithium ions diffusion from the surface layer to the bottom layer of the electrode. The multilayer coating technology can shorten charging time to less than ten minutes while ensuring high-energy density, which greatly enhances the competitiveness of the products. As of December 31, 2024, we have been granted 15 patents for our multi-layer coating technology.

In terms of separator design, we improve the ion transportation capability of the separator through the design of a high porosity and thinned separator.

In terms of electrolytes, we optimize the solvent system and film formation to form a thin and uniform SEI layer with a tough anode surface, which improves the ionic conductivity and reduces the cracking of the SEI layer.

***Long-life Battery Technology***

The main cause of the capacity decay of LFP batteries is the loss of active lithium. Technology to prolong battery cycle life includes a lithium compensation mechanism. Our pre-lithiation technology can effectively slow down the battery capacity decay, thereby improving battery cycle life.

On the one hand, we slow down the loss and consumption of active lithium by technical means, which can be specifically reflected in (i) the development and design of low rebound graphite anode materials to reduce the consumption of excessive active lithium at the new interface due to graphite expansion during the cycling process; (ii) the formulation design of anode, which is to further reduce the expansion of anode by the matching of different binders; (iii) the optimized design of the electrolyte to improve the stability of the SEI and CEI interfaces; and (iv) the optimized design of cathode materials to ensure the stability and performance of cathode materials during the cycling process.

On the other hand, we increase the amount of active lithium in the battery and establish a compensation mechanism for the consumption of cyclic active lithium by adding additional active lithium, which can be specifically reflected in (i) cathode lithium metal calendering for lithium replenishment; (ii) anode lithium-rich compounds for lithium replenishment; and (iii) exploration and application of techniques such as gradient step-by-step lithium replenishment.

Combined with the above technical means, our current long-life LFP products, with the cycle life expected to reach up to 18,000 cycles, have a strong competitive advantage among similar products in the market. As of December 31, 2024, we have been granted 52 patents for our battery life technology.

We improve the monomer space utilization rate and full-life-cycle reliability through nano-injection molding of the top cover, thus significantly improving air tightness of two orders of magnitude. This extends the expected life of ESS products to as long as 20 years, thus satisfying the market demand for ultra-long life cycles for ESS products. The traditional sealing ring technology uses fluorine rubber rings to achieve sealing. Fluorine rubber rings are mostly imported at high costs, and supply is often unstable. The nano-injection molding sealing technology removes the fluorine rubber ring used in the traditional battery core pole seal, and instead adopts the nano-injection molding process to realize the integral molding of the cover plate-pole-upper plastic, ensuring the structural strength and air tightness at the electrode, and reducing the cost while improving the sealing and reliability of the product.

***Battery Safety Technology***

We use high-nickel and low-cobalt cathode materials and adopt solid-state electrolyte surface modification technology to reduce the interface impedance and significantly improve the thermal stability. The solid-state electrolyte hybrid separator helps maintain power while improving safety. We use high-wettability electrolytes to solve the problem of infiltration of cylindrical batteries while greatly reducing the content of flammable organic solvents and significantly improving the safety performance of batteries. In terms of manufacturing techniques, we developed the hybrid blue laser welding technology, which greatly reduces the risk of battery short circuits caused by welding slag.

We have also developed new designs of battery cell structural component. The battery cell is prone to the tab redundancy during assembly, and the tabs are reversely inserted into the jelly roll, resulting in an internal short circuit, leading to a large pressure difference in the battery product, and even short-circuit and thermal runaway. Through our own innovative wing cap technology, we press and mold the tab, which can solve the safety problem of short circuit inside the battery cell due to the reverse insertion of the tab. In addition to the above functions, the wing cap technology also physically isolates the internal laser welding area of the battery cell from the jelly roll area, thus preventing welding residues from falling into the interior of the jelly roll and further improving the safety of the battery cell. As of December 31, 2024, we have been granted 37 patents for our wing cap technology.

**R&D Bases**

As of the Latest Practicable Date, we have multiple sample manufacturing lines which can accommodate the sample production of prismatic battery cells, cylindrical battery cells, and pouch cells. Our physicochemical laboratory has over 150 pieces of equipment for physicochemical analysis, component analysis, structural analysis, heat analysis and electrochemical testing. Our electrical property laboratory can carry out various electrical performance tests in the field of energy storage and power batteries with over 15,000 sample testing channels to meet the needs of ORT and R&D testing requirements. Our safety and reliability laboratory is equipped with 30 sets of equipment related to nail penetration, extrusion, vibration and thermal runaway, meeting the testing requirements of GB/T 31484, GB/T 31486, Q/Z 10201-2023, and GB 38031-2020, among others. The lab mainly carries out lithium battery abuse, environment, and mechanical safety testing in compliance with ISO/IEC 17025: 2017 and other EV battery safety testing requirements.

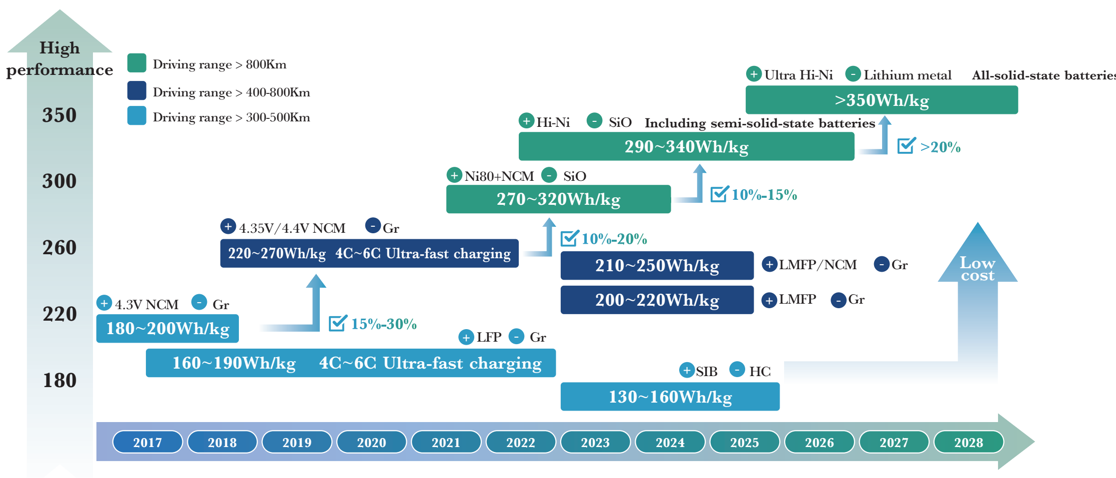
**R&D Collaborations**

In 2023, we collaborated with Nanjing University and Changshu Institute of Technology to jointly undertake an industrial and information industry transformation and upgrading special fund project in Jiangsu Province for the research and industrialization of high-rate, long-life sodium-ion power batteries. We are responsible for the development of sodium-ion battery anode materials and their preparation processes, electrolyte optimization technologies, cell manufacturing processes, and system integration. We are also responsible for the mass production of sodium-ion batteries.

In addition, we also collaborated with the Changshu Institute of Technology on the development of optimized high-temperature solid-phase synthesis technology, which involves the reaction of doped sodium-ion cathode material precursors with sodium salts to produce sodium-ion battery cathode materials with high-rate capability and long life. The target material achieves a capacity of over 140mAh/g and a tap density of over 3.1 g/$cm^3$. We also collaborated with Nanjing University on developing a molecular design of binders and preparation process for binders of sodium-ion batteries, which aims to improve the capacity of sodium electrode materials and extend their cycle life.

### Battery Electrochemistries Upgrade

The following chart sets forth our electrochemistries upgrade roadmap for our batteries in the years indicated.




Our electrochemistries development roadmap consists of a low-cost pathway and a high-performance pathway. The low-cost pathway focuses on phosphate (LFP and LFMP) systems and sodium-ion systems. In terms of LFP, we have achieved an energy density of around 190 Wh/kg in prismatic cells and are moving towards fast charging (4C to 6C). We intend to develop new material systems, such as LMFP and its hybrid with NCM materials, to further increase the energy density to over 220 Wh/kg. Regarding sodium-ion battery, we have developed a product with an energy density of 130 Wh/kg; through material system upgrades, we aim to increase the energy density to 190 Wh/kg, reaching a level comparable to LFP.

The high-performance path primarily focuses on NCM products. Currently, we use high-voltage nickel-based ternary materials paired with graphite anodes, achieving an energy density of 260 Wh/kg in prismatic cells. Our internal research on prismatic battery cells has achieved an energy density of around 320 Wh/kg, utilizing a high-nickel and silicon anode system. With the gradual maturity and integration of new materials and technologies such as ultra-high nickel cathodes, lithium metal anodes, and solid-state electrolytes, we aim to further increase the energy density to over 350 Wh/kg.

## INTELLECTUAL PROPERTIES

As of December 31, 2024, we had submitted applications for a total of 3,613 patents, and had been authorized 2,225 patents, among which 412 were invention patents. We also had 21 granted copyrights and 183 registered trademarks as of December 31, 2024.

Our intellectual property department is involved throughout the product and technology R&D process. Our intellectual property department carries out the patent application, mining, risk prevention and control comprehensively in the early stage of the R&D process. After an R&D project is initiated, our intellectual property department personnel follow up on project progress throughout the process, and protect our intellectual property rights comprehensively through patent mining and layout. In addition, we incorporate intellectual property risk assessment into our product development and design process, and carry out comprehensive and systematic patent infringement risk screening of design plans to avoid such risks.

Our intellectual property management personnel are responsible for establishing an enterprise intellectual property management system and early risk warning mechanism, dealing with material matters in relation to intellectual property, and coordinating and handling intellectual property disputes and litigation. Our intellectual property processing staff is responsible for preparing patent applications, patent status maintenance, trademark management and other procedural and ministerial matters. Our patent engineers communicate with technical personnel, assist R&D personnel in searching and analyzing existing patents, form intellectual property risk assessment report, and analyze patent risks and competitor dynamics. We have established the Intellectual Property Management Manual and the Intellectual Property Award System to guide our work around intellectual property management.

In April 2024, the Suzhou Intellectual Property Protection Center signed a cooperation agreement and issued a license to us for the establishment of a patent pre-examiner training base. The training base serves as a platform of communication and interaction between the regulatory authorities and patent applicants, helping pre-examiners gain a deeper understanding of applicants' R&D and enhancing the quality and efficiency of their pre-examination work. Simultaneously, it allows for timely understanding of the patent pre-examination needs by potential patent applicants, providing specialized guidance for applicants' R&D, patent exploration, and layout, thereby expediting patent applications, improving application success rate and protecting innovative achievements.

We have established a scientific and standardized intellectual property management system and obtained the GB/T29490—2013 intellectual property management system certification in October 2022.

As of the Latest Practicable Date, no material disputes, litigations or proceedings relating to our patents and patent application was identified, according to our special intellectual property counsel.

In evaluating the risk of patent infringement, the special intellectual property counsel conducts patent searches of major market players and takes the following steps in making a determination of "relatively low risk" of infringement:

(i) Our special intellectual property counsel analyzes and determines four main visible and reversible fields of technologies of our products, namely (i) battery cell structure; (ii) modules; (iii) packs; and (iv) battery materials (anode, cathode, plates, separators, electrolytes, and current collector). The IP counsel then determines further sub-levels of detailed technologies.

(ii) Our special intellectual property counsel then compares these technologies with patents by relevant peers (the "**Peers' Patents**"), using mainstream databases including INCOPAT, PatSnap, HIMMPAT, and State Intellectual Property Office patent search and analysis website. Based on such searches, our special intellectual property counsel filters out the Peers' Patents that bear resemblance with the above technologies of our products.

(iii) Our special intellectual property counsel then determines whether any legal defense is available against the Peers' Patents by peers, such as the defenses of (i) existing technology; (ii) prior sales; and (iii) prior use. Our special intellectual property counsel also analyzes the stability of the Peers' Patents, and whether there are alternative technologies available in the market if our technologies in the products are deemed to infringe on the Peers' Patents. If (i) a legal defense is available; (ii) the Relevant Patent was unstable; or (iii) alternative technologies can be easily adopted to enable us to commercialize the products without infringing on the Peers' Patents, then the IP counsel would issue the opinion of "relatively low risk."

Specifically in our case, the conclusion by the special intellectual property counsel that there is relatively low risk of patent infringement lawsuits being initiated against us by major industry competitors was based on the following analysis:

(i) The Relevant Patent was unstable or can be avoided using alternative technologies in the art. Based on the abovementioned searches and analysis, our special intellectual property counsel determined certain Peers' Patents whose scope of protection may overlap with the technologies of our products. However, based on patent searches and analysis, our special intellectual property counsel was of the view that these Peers' Patents were mostly unstable or can be avoided using alternative technologies in the market, which indicates low risk of infringement, and low risk that this would cause material adverse impact on our manufacturing and sale of the product. According to our special intellectual property counsel, major market players in China's power battery industry all possess a comprehensive patent portfolio as a strategic defense, including us. This creates the situation of potential cross-infringement, which makes it difficult to block a major players' product manufacturing and sales based on infringement claims.

(ii) We have long established an R&D team focused on independently developing power battery related technologies. We have created a comprehensive intellectual property protection system based on our own product characteristics on top of general technologies in the industry. We have also taken steps to protect our core technologies through trade secret policies (regarding technologies that cannot be publicly disclosed) and through patents (regarding technologies that are visible to others or can be reverse-engineered by others). We have a comprehensive patent and intellectual property portfolio, and the technologies in our current products can be clearly traced to our own intellectual property portfolio which has clear ownership relationships without material disputes. As of the Latest Practicable Date, to the best knowledge of our Directors, we do not have any pending disputes with respect to our intellectual property, including our patents, on core technologies with any third parties.

(iii) We have established comprehensive policies on intellectual property management, which includes clear and specific provisions on procurement, maintenance, risk management over intellectual properties. We have also assigned dedicated personnel with professional experience in patent searches and analysis to implement these policies. We routinely conduct patent infringement analysis on our product structures and technology components and those in the market to avoid potential infringement.

## MANUFACTURING

### Battery Cell Manufacturing Facilities

Our facilities for battery cell manufacturing are enabled and enhanced by software systems, including our proprietary (Zenergy Operational Excellence) operational platform, manufacturing operations management customization system, visual inspection technologies powered by AI, and AI edge computing-based quality inspection and monitoring system. These capabilities enable us to continuously improve manufacturing and cost efficiency. The automation rate of major manufacturing lines (defined by the percentage of machines and equipment that do not require any human interventions to run smoothly) reached over 95% in 2023, which is significantly higher than the industry average of approximately 90%, according to Frost & Sullivan. Our proprietary operational platform integrates the management of various operational steps, including sales, R&D, manufacturing, and supply chain; it also enables full-cycle management of technological parameters including parameter submission, changes, approval, application and tracking, as well as enables monitoring of manufacturing lines to support real-time decision-making. Our average response time to customer requests has reduced by over 50% and our manufacturing work efficiency has increased by 33% as a result of our proprietary operational platform. We also collaborate with a global leader in manufacturing equipment, namely Dassault, in developing and deploying the manufacturing operations management system customized for the battery industry, which enables processing of a large amount of data within milliseconds.

### Flexible Manufacturing System

Our manufacturing lines are also highly flexible and can be converted to manufacture different product types (such as from EV batteries to ESS batteries, and from NCM batteries to LFP batteries) with relatively low conversion costs and time. We achieve this through the adoption of predictive equipment design and flexible and intelligent manufacturing technique design, taking into account the development trends in terms of market demand and battery technologies in the future. We possess independent manufacturing equipment development capabilities, and collaborate with leading equipment suppliers to construct our highly customized manufacturing lines.

The time to convert a manufacturing line to produce at full capacity for those battery products of the same dimension to a different electrochemistry could reach as short as three days, and the time to convert a manufacturing line to produce at full capacity for those battery cell products of different dimensions could reach as short as 50 days.

Our production equipment, fixtures and testing instruments follow the principles of standardization and are easy to adjust, replace or reconfigure to meet the production needs of different product types. Through automated material transferring systems and programmable machining centers, we can flexibly and efficiently adjust the production pace, processing sequence and process routes. We also implement lean manufacturing principles, reduce non-value-added activities, simplify work processes, and improve the flexibility and responsiveness of our manufacturing lines to improve our overall manufacturing efficiency.

**Strategic Manufacturing Site Locations**

A majority of our manufacturing facilities are also strategically located in close vicinities from each other in Changshu, which allows convenient, smooth and centralized operational management and timely and flexible resource allocations among different facilities. On average, we are able to allocate resources among different facilities in Changshu and respond to abnormal alerts from each facility within 30 minutes.

**Manufacturing Bases**

We have three production bases for the manufacturing of battery cells, namely, the Changshu Zenergy Base, the Changshu Yinhe Base and the Nanjing Zenergy Base, which are equipped with an aggregate of 15 manufacturing lines with a total designed annual production capacity of 25.5 GWh for battery cell products. We also have a production base for the manufacturing of battery modules and battery packs, namely, the Changshu Pingqian Base. Our first manufacturing line, namely, line A1 at Changshu Zenergy Base, started its production in March 2021 and commenced mass production in April 2021.

The manufacturing line of Nanjing Zenergy was not designed or tailored specifically for any particular customer. Before being assigned to manufacture for WM Customer's NCM 153 Ah products in the second half of 2020, the manufacturing line in Nanjing Zenergy had also been assigned to manufacture a variety of battery products, including NCM 135Ah, NCM 100Ah and NCM 120Ah products. In 2022, approximately 91.0% of battery products manufactured in Nanjing Zenergy as measured by GWh was sold to WM Customer.

Through a centralized layout of our production bases, we aim to achieve resource sharing of raw materials, equipment and components, maximize synergies and improve operational efficiency, to ensure the rapid delivery of safe and reliable battery products to our customers. To that end, we undertook the following facility operational adjustments with respect to Nanjing Zenergy and Dongguan Zenergy.

Nanjing Zenergy ceased substantial production in December 2022, and Dongguan Zenergy ceased production activities in February 2023. In particular, we decided to cease operations for the following reasons:

- *Insignificance and inefficiency*. The total designed capacity previously assigned to the production bases of Nanjing Zenergy before it ceased substantial production activities were 1.4 GWh, accounting for approximately 5.4% of the total designed capacity of all of our total production bases as of December 31, 2024. The total production volume of Nanjing Zenergy during the Track Record Period before they ceased substantial production in December 2022 was 1.9 GWh. Further, the Nanjing Zenergy facility was not owned by us; rather, it was leased with lease expiration in the third quarter of 2027. These indicate the relative insignificance of the Nanjing Zenergy facility. In addition, the Nanjing Zenergy facility was also inefficient: the Nanjing Zenergy production line had a relatively low ppm (parts per minute) and cannot perform as favorable as the new lines in Changshu Zenergy and Changshu Yinhe facilities. The efficiency of the Nanjing Zenergy production line was limited by the then available technologies when it was first constructed.

- *Design limitations.* Due to the limitations on the design of the Nanjing Zenergy production line, retooling of such line is technically impossible for certain new battery cell products that were developed in recent years. The production line in Nanjing Zenergy was designed to accommodate only battery cells with a width of under 200 millimeters, while a majority of new battery cell products on the market in the past two years had width over 200 millimeters, such as 220-millimeter width prismatic battery cells and 300-millimeter width battery cells. Therefore, even before the WM Customer Incident, we had begun contemplating ceasing substantial production of Nanjing Zenergy facility. In addition, WM Customer had already indicated before the WM Customer Incident that it would begin ordering NCM 227Ah battery cells with width of 225 millimeters, which the Nanjing Zenergy production line was not capable of manufacturing.

- *Inflexibility.* The production line at the Nanjing Zenergy facility was not as flexible as the production lines in our other facilities. This means that it takes longer time and higher costs to retool the Nanjing Zenergy production line for production of different types of battery cells under 200 millimeters in width compared to our other manufacturing lines. As a matter of commercial reality, such time and costs are prohibitively high for us if it wants to maintain competitive in pricing and delivery schedule.

Nanjing Zenergy production lines are now primarily used for product R&D purposes, and we plan to gradually move such R&D activities to our manufacturing bases in Changshu. As a result, we incurred significant impairment loss of the property, plant and equipment in 2022.

Dongguan Zenergy had a relatively small capacity compared to our other product lines. The total production volume of Dongguan Zenergy during the Track Record Period before they ceased substantial production in February 2023 was 834.3 MWh. Considering the unified planning of the industrial park where Dongguan Zenergy was located and its lease that would expire in October 2023, we decided to relocate the entire production base from Dongguan to Changshu to better integrate our resources. As a result, Dongguan Zenergy ceased its production activities in February 2023. As such, the relevant property, plant and equipment became idle or scrapped. As a result, we incurred impairment loss of the property, plant and equipment in 2022.

We have established internal measures for approving, monitoring, and reviewing the execution of business plans, including the termination of a manufacturing base. Our investment department monitors, evaluates each project, and proposes its disposal plan based on its business judgement. Depending on the nature and scale of its proposal, the investment departments seeks approval from the department manager, executive officers, Board of Directors, and shareholders' meetings. Our financial department is responsible for budget preparation, profit forecasting, capital raising, and accounting for such proposal and provides advice and reports to management. Our legal department supervises projects and ensures compliance with laws and regulations. With support from the financial and legal departments, our department managers, executive officers, Board of Directors, and shareholders' meetings serve as deliberative bodies, making decisions on project investments, suspensions, and terminations.

The following table sets forth the key information and production details of our manufacturing bases during the Track Record Period.

| | Location | Site area (sq.m.) | Production type | Designed capacity (GWh) | Production capacity (GWh)[1] | | | | Production volume (GWh) | | | | Utilization rate (%)[2] | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 2021 | 2022 | 2023 | 2024 | 2021 | 2022 | 2023 | 2024 | 2021 | 2022 | 2023 | 2024 |
| Changshu Zenergy | Changshu | 305,000 | LFP and NCM battery cells for BEV, PHEV and HEV | 17.7 | 1.3 | 2.2 | 8.4 | 12.7 | 0.9 | 1.8 | 3.0 | 7.2 | 72.9 | 82.9 | 36.1 | 56.6 |
| Changshu Yinhe | Changshu | 68,600 | LFP and NCM battery cells for BEV and PHEV | 6.4 | N/A | 2.9 | 6.1 | 6.9 | N/A | 1.3 | 4.0 | 5.1 | N/A | 42.6 | 66.1 | 73.5 |
| Nanjing Zenergy[3] | Nanjing | 34,000 | NCM battery cells for BEV and PHEV | 1.4 | 1.0 | 1.0 | N/A | N/A | 1.0 | 0.9 | N/A | N/A | 97.7 | 85.3 | N/A | N/A |
| Changshu Pingqian[4] | Changshu | 8,300 | Battery modules and battery packs | 6.2 | 4.1 | 2.3 | 2.9 | 4.3 | 3.3 | 1.5 | 1.9 | 2.9 | 81.3 | 64.5 | 65.9 | 68.0 |

*Notes:*

(1) The production capacity is calculated by multiplying the single-cell capacity by the daily standard output quantity and the annual standard production days.

(2) The utilization rate refers to the percentage of the production volume to the production capacity during the period indicated. The utilization rate of Changshu Zenergy decreased significantly from 82.9% in 2022 to 36.1% in 2023, primarily due to the completion of the new energy phase II of Changshu Zenergy in 2023, which added 15.6 GWh of total capacity. The utilization rate of Changshu Zenergy increased from 36.1% in 2023 to 56.6% in 2024, primarily due to the increase in designated projects and order volume, leading to improved capacity utilization. The utilization rate of Changshu Yinhe increased from 42.6% in 2022 to 66.1% in 2023, primarily because Changshu Yinhe was completed in 2022 and was in the ramp-up phase when it first started production; by 2023, it obtained stable customers and product models, resulting in an increase in utilization rate. The utilization rate of Changshu Yinhe increased from 66.1% in 2023 to 73.5% in 2024, primarily due to our manufacturing lines have entered into mass production stage. The utilization rate of Nanjing Zenergy decreased from 97.7% in 2021 to 85.3% in 2022, primarily due to the WM Customer Incident in 2022. The utilization rate of Changshu Pingqian decreased from 81.3% in 2021 to 64.5% in 2022, primarily because of a customer's suspension of its production for specific models in 2022 which resulted in a decrease in the amount of battery packs to be produced by Changshu Pingqian. The utilization rate of Changshu Pingqian increase from 65.9% in 2023 to 68.0% in 2024, primarily due to the increase in order volumes from our customers pack products in 2024.

(3) Nanjing Zenergy has ceased its substantial production activities since December 2022.

(4) As of December 31, 2024, our total designed annual production capacity was 25.5 GWh, which includes the designed capacity of Changshu Zenergy, Changshu Yinhe and Nanjing Zenergy. The production capacity of Changshu Pingqian is not included because its capacity of 6.2 GWh represent battery modules and battery packs which contain battery cells manufactured by Changshu Zenergy, Changshu Yinhe and/or Nanjing Zenergy. Counting the production capacity of Changshu Pingqian would therefore involve double-counting.

***Planned Production Bases***

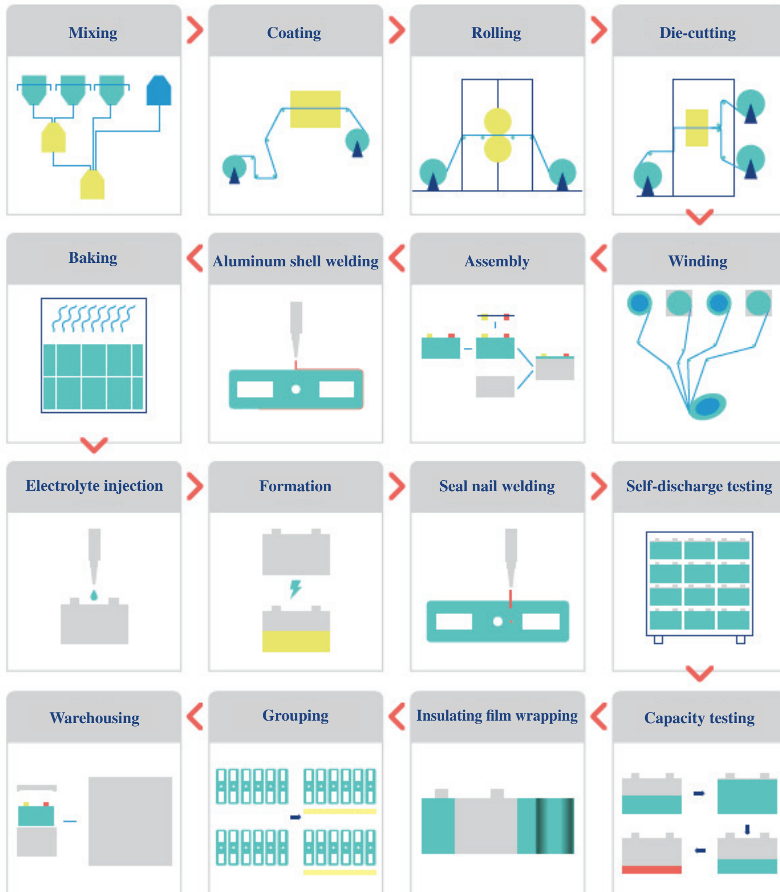
We plan to construct a new production base in Changshu, Jiangsu Province. The new production base, with a site area of approximately 525,000 sq.m., will be used for R&D expansion projects and employee dormitory. The construction of the new production base is expected to be conducted in two phases: (i) Phase I construction will commence in March 2025 including three manufacturing lines for PHEV battery products with an aggregate production capacity of 10.0 GWh. The planned products for Phase I include LFP batteries (86Ah, 70Ah, 54Ah, 104Ah, and 88Ah), and NCM batteries (78Ah). The construction of Phase I is expected to finish by October 2025; (ii) Phase II construction will commence in December 2025 including four manufacturing lines with an aggregate production capacity of 15.0 GWh. The planned products for Phase II include LFP batteries (86Ah, 89Ah, 88Ah, 140Ah, and 104.2Ah). The construction of Phase II is expected to finish by December 2026. For both phases, 80% of the production will be LFP batteries and 20% will be NCM batteries. We have completed the feasibility study of the new production base and are currently undergoing the planning and design for the overall layout. The types of battery products to be produced in our new production bases are determined primarily based on the design-wins we obtained from our customers. The relevant design-win agreements typically specify the types of battery products, types of EV models where the battery products are applied, and estimated demand volume for the upcoming years. Additionally, we estimate the sales volume of EV models by analyzing their historical sales performance, which in turn guides our determination of the types of products and production volume.

**Manufacturing Process**

The manufacturing of our battery products consists of three stages: battery cells, battery modules and battery packs. We deploy our manufacturing skills and technologies to optimize the process and enhance efficiency. For details, see "—Battery Cell Manufacturing Facilities" and "—Flexible Manufacturing System." The following are brief descriptions of each main stage in our manufacturing process.

***Battery Cells***

Our battery cells are produced under strictly controlled cleanliness and humidity conditions in our manufacturing facilities. The production process of our battery cells consists of three main stages: electrode manufacturing, cell assembly and cell chemical testing. All of these production processes are performed in-house. The following diagram illustrates the key production steps for our battery cells.




- Mixing: The cathode (anode) materials, conductive agents, binders and solvents are added to the mixing tank via an automatic feeding system and stirred at high speed to form a stable and homogeneous cathode (anode) slurry.

- Coating: The cathode (anode) slurry is coated onto the current collector and dried in an oven to produce cathode (anode) electrodes.

- Rolling: The cathode (anode) electrodes are rolled to the desired thickness.

- Die-cutting: The cathode (anode) electrodes are die-cut into multiple electrode tab structures.

- Winding: The cathode (anode) electrodes and separator film are wound into a bare cell in a certain order.

- Assembly: The bare cell, busbars and top cover components are welded into the aluminum shell.

- Aluminum shell welding: The aluminum shell and top cover are welded together using laser welding technology.

- Baking: The bare cell is baked at high temperature and high vacuum to remove internal moisture.

- Electrolyte injection: The bare cell is filled with electrolyte.

- Formation: The injected cell undergoes charge activation at a certain temperature, forming a passivation protective film on the surface of the anode at the electrolyte interface.

- Seal nail welding: Laser welding technology is used to seal nail weld the injection holes.

- Self-discharge testing: Battery cell discharge is monitored by observing voltage drop.

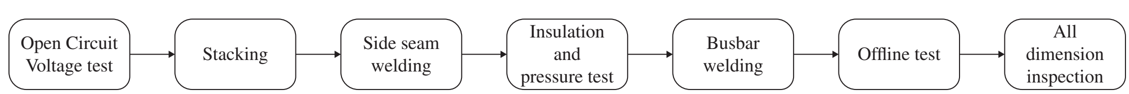
- Capacity testing: SOC and discharge testing of the battery cells to determine capacity.

- Insulating film wrapping: Insulating film is wrapped around the surface of the battery cells.

- Grouping: Battery cells are sorted according to a predetermined order.

- Warehousing: Battery cells are packed and warehoused for shipment.

***Battery Modules***




- Open Circuit Voltage test: The voltage is measured without an external load connected to evaluate the stability and performance.

- Stacking: The battery cells are connected in series or parallel to stack and form a reliable unit, and a metal casing is added to the outside of the unit.

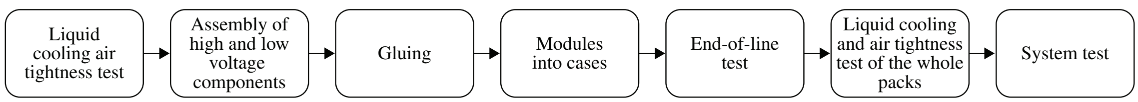
- Side seam welding: The splicing of the metal casings adopts a precision laser welding process to achieve a reliable connection between the casings.

- Insulation and pressure test: The insulation of the metal casing and the battery are tested.

- Busbar welding: The laser welding process is used to weld the conductive strips and each battery pole together, so that each battery cell is connected in series or parallel to output energy.

- Offline test and all dimension inspection: In the final step, we run an online automatic test on the wire bonding quality, module size, module electrical performance and appearance quality.

***Battery Packs***




- Liquid cooling air tightness test: The air tightness of the liquid cooling system is tested.

- Assembly of high and low voltage components: The high and low voltage components are assembled together according to design specifications to form the complete battery pack.

- Gluing: In the metal case, a layer of thermally conductive adhesive is evenly coated.

- Modules into cases: A certain number of batteries are assembled into the metal case and fastened.

- End-of-line test: A comprehensive testing at the end of the assembly line is conducted to verify its functionality, safety and performance.

- Liquid cooling and air tightness test of the whole pack: The case cover and the case body are tightened and sealed to test the air tightness of the whole pack.

- System test: The last step is to perform a complete system dynamic test to test the electrical performance of the relevant system.

### Manufacturing Equipment

We possess independent manufacturing equipment development capabilities, and collaborate with leading equipment suppliers to complete the construction of our highly customized manufacturing lines. The following table sets forth information on our key manufacturing equipment.

| No. | Name | Description |
|---|---|---|
| 1 . . . | Extrusion Coating Machine | Evenly applying the mixed slurry onto the substrate, ensuring that dimensions, weight, and other parameters stay within the design specifications; drying the coated material and automatically rewinds it into rolls. |
| 2 . . . | Roll Pressing and Pre-Cutting Machine | Continuously rolling and cutting Lithium-Ion battery electrode sheets to the desired thickness, ensuring uniform thickness, and cutting them into appropriately sized electrode sheets. |
| 3 . . . | Laser Die-Cutting and Winding Machine | Cutting and forming tabs, and winding the positive and negative electrode sheets, along with the separator, into individual bare cells. |
| 4 . . . | Soft Connection Welding Machine | Welding the connecting tabs to the top cover poles. |
| 5 . . . | Negative Pressure Formation System | Activating the cells and forming a solid electrolyte interface on the surface of the anode active materials. |
| 6 . . . | Capacity Testing System | Measuring the performance parameter of battery capacity. |

### Manufacturing Planning

We establish annual, quarterly and monthly rolling production plan management mechanism. Our production plan is mainly affected by the volume of orders. Based on the number of orders and demand of customers, we develop our production plans, which in turn determine the upstream procurement plan for raw materials and equipment. We align our manufacturing lines with customer demand and upstream procurement to ensure that we produce in sufficient quantities and on time while avoiding overstocking.

As of the Latest Practicable Date, we had 48 design-wins that were subsequently converted into purchase orders. Among these purchase orders, 24 entered mass production and delivery stage and 24 were in the sampling or development stage as of the Latest Practicable Date.

## Quality Control

Since our inception, we have been highly dedicated to ensuring product quality, and have established a comprehensive quality management team and quality assurance system covering product design, reliability analysis, supply chain, raw materials, processing, shipment, and customer service, among other processes. Our quality management system was established in accordance with IATF16949 standards. Through SAP and manufacturing operations management systems, we closely monitor the relevant quality data and information from raw material procurement to finished product delivery, and ensure accurate traceability of all shipped products.

Our full-cycle product quality management system primarily encompasses the following steps and measures:

### *Supplier Selection*

We have established the "QSP-019 Raw Material Supplier Development and Management Procedure," which states that our procurement, R&D and supplier quality engineer ("**SQE**") teams jointly examine the qualifications of a potential supplier, and conduct on-site inspections. After a supplier passes such inspections, we collect sample products from the supplier for testing, which is typically led by our R&D department. Our SQE team then leads the supplier PPAP audit to ensure that the supplier's manufacturing techniques, quality control and production capacity meet our requirements. After selecting a supplier, we conduct periodic review on them and their products, and may suspend or terminate procurement if the supplier fails to rectify to our satisfaction. Unless specifically otherwise required by our customers, we maintain alternative suppliers for all of our key raw materials. At the project development stage, we begin to consider alternative suppliers. During the mass production stage, key raw materials are sourced from more than one suppliers of the same type to ensure supply chain stability.

***Raw Material Inspection***

We have established the "QSI-006 Incoming Material Inspection Work Guidelines" and the "QSI-009 Incoming Material Exception Handling Specification" pursuant to the IATF16949 standards, which define the standardized inspection process and exception handling process for raw material inspections. For different materials and components, our product development personnel prepare raw material demand list according to the development requirements during the design process, and clarify the specification requirements and testing requirements of each material. Our quality department prepares the inspection specifications sampling level, acceptance level, and other procedures according to the demand list, and issues them to quality inspectors as inspection guidelines.

***Production Process Quality Control***

We have established a series of production process quality control guidelines, such as the "Product Inspection and Test Control Procedures," "Non-conforming Product Control Procedures," "Process Monitoring Work Guidelines," "Process and Shipment Quality Abnormal Handling Specifications," "QA Seal and Related Status Identification Control," and "Non-conforming Product Rework Guidelines". Our manufacturing staff shall make a sample piece and check and confirm its compliance with the quality guidelines before the shift starts. During production, our quality team inspects the products under processing, the operation status of the production equipment, production environmental control, and personnel job fulfillment according to the inspection requirements and the quality documents, and records the inspection results. If abnormal quality is found, the process engineer leads the review and handling of abnormal materials; the responsible manufacturing unit carries out root cause analysis and formulate corrective and preventive measures, and the quality engineer confirms the effect of such measures and the results of abnormal material handling.

***Finished Product Inspection***

We have formulated the "QSI-090 FQA Warehouse Inspection Work Guidelines" and the "QSI-091 OQA Inspection Work Guidelines" to clarify the quality inspection process for battery cells before warehousing and shipment inspection process. We conduct visual inspection of product exteriors using AI technology, and the electrical performance requirements (such as DCIR, capacity and insulation resistance) will be automatically checked by the manufacturing operations management system.

As of the Latest Practicable Date, we have received the following certifications with respect to quality control.

| Certifications | Certifying Authorities | Expiry Date |
|---|---|---|
| Built-in Quality Supply-based (BIQS) 2.0 Certification | SAIC General Motors (上汽通用) | January 13, 2027 |
| GBT29490-2013 Intellectual Property Management System | Zhongzhi (Beijing) Certification Co., Ltd. (中知(北京)認證有限公司) | October 27, 2025 |
| IATF16949:2016 Automotive quality management system | SGS | September 4, 2025 |
| AS9100D Aerospace quality management system | BV | November 26, 2026 |
| ISO14001:2015 Environmental management systems | SGS | May 16, 2027 |
| ISO45001:2018 Occupational health and safety management systems | SGS | May 16, 2027 |
| ISO14067 Carbon footprint of products | Hangzhou WIT Assessment Co. Ltd. (杭州萬泰認證有限公司) | October 10, 2026 |
| ISO50001 Energy management system | Hangzhou WIT Assessment Co. Ltd. (杭州萬泰認證有限公司) | October 23, 2026 |
| Certificate of Confirmation of Measurement Qualified | Jiangsu Metrology Association (江蘇省計量協會) | May 22, 2028 |
| GB/T 23001-2017 Integration of Informatization and Industrialization Management System Certificate | CLT Hongxin Information Technology Co., Ltd. (中電鴻信信息科技有限公司) | October 27, 2026 |

## SUPPLY CHAIN

### Procurement and Supplier Selection Process

Our procurement department is divided into three main modules: direct production material procurement, indirect production material procurement and fixed-asset procurement.

Our procurement process involves coordination among multiple departments including the finance department, materials and planning department, supply chain management department and demand department. Upon the procurement requests submitted by our demand department, we select suitable suppliers and appropriate procurement methods. We will sign procurement contracts with selected suppliers and track purchase orders. After receiving the procured materials and equipment, we will conduct a receipt inspection and arrange warehousing, handle disqualified product returns and process invoicing and payments. Additionally, our procurement department continuously introduces new suppliers, maintains a list of qualified suppliers, and conducts annual audits and monthly evaluations for our suppliers.

We generally follow the following criteria when selecting suppliers:

- *Quality.* Suppliers must meet our quality standards, and any failure in quality inspection will result in exclusion from the qualified supplier list. We also require our suppliers to provide timely delivery and reliable pre-sales and after-sales services.

- *Price*. We prioritize suppliers offering more competitive prices if the product quality is consistent.

- *Proximity Preference.* We prefer suppliers located closer to us if the quality, price and supply capacity are equal.

- *Transparency and Fairness.* Our supply chain management department, in collaboration with relevant departments, evaluates suppliers in accordance with our specified procedures to ensure transparent, fair and impartial supplier selection.

- *Shorten Supply Chain Process.* We aim to source directly from manufacturers whenever possible to shorten the supply chain process and lower costs.

- *Priority for New Product Development Supply.* Suppliers actively cooperating in our new product development may be prioritized in product selection, provided their products meet quality standards. We offer procurement guarantees for such suppliers and increase the procurement of other related products provided thereby.

- *Sustainable Development.* We require suppliers to comply with labor laws, refrain from employee abuse, and avoid using or hiring child labor. They must also comply with environmental and safety regulations, prohibit bribery, obtain ISO system certification, adhere to national carbon reduction strategies, and implement energy-saving and carbon-reduction measures.

The key raw materials we procure can be categorized into key components, which are essential for the product and constitute a significant portion of the cost, and other major materials. Key components mainly include: (i) battery cell materials, such as nickel-cobalt-lithium-manganate and lithium iron phosphate for the positive electrode, graphite for the negative electrode, barrier film, copper foil, aluminum foil, electrolyte, top cover and aluminum case; (ii) battery module materials, such as upper covers, CCS assemblies, positive and negative electrode end plates, and side plates; and (iii) battery pack materials, such as boxes, liquid cooling system, and battery management system ("**BMS**"). Other major materials mainly include polyvinylidene difluoride (PVDF), Super P Li (SP), carboxymethyl cellulose (CMC), N-Methylpyrrolidone (NMP), Carbon Nanotube (CNT), and related raw materials. The key raw materials of our power batteries include nickel-cobalt-lithium-manganese, lithium iron phosphate, aluminum foil, graphite, copper foil, electrolyte and separator membranes.

We have experienced fluctuations in the cost of our raw materials during the Track Record Period. Particularly, the average price of lithium carbonate, a kind of key raw material for our NEV battery products, has experienced a significant increase during such period. According to Frost & Sullivan, the average price for lithium carbonate increased from RMB131,100 per ton in 2021 to RMB496,100 per ton in 2022, which was primarily due to a shortage in the supplies of lithium carbonate since the last quarter of 2020 resulting from the rising demand for lithium battery products. Specifically, from the demand side, the growing global demand for new energy vehicles led to a surge in demand for power batteries, creating a supply-demand imbalance for upstream raw materials, which, coupled with the impact of the COVID-19 pandemic, resulted in greater raw material price volatility; from the supply side, battery manufacturers were operating with low inventory levels and required restocking, while lithium producers tightened the supply of lithium carbonate, triggering a strong price rebound. The average price for lithium carbonate subsequently decreased to RMB258,700 per ton in 2023, which was primarily due to the increasing supply of lithium carbonate in 2023. As a result, the average price for LFP battery products increased significantly from RMB0.51 per Wh in 2021 to RMB0.80 per Wh in 2022, and decreased to RMB0.62 per Wh in 2023. Similar to the price fluctuations of lithium carbonate, the prices of lithium hydroxide (LiOH), yellow phosphorus ($P_4$) and nickel sulfate ($NiSO_4$) experienced an overall upward trend from RMB116.1 thousand per ton, RMB26.7 thousand per ton, and RMB36.7 thousand per ton in 2021 to the peaks of RMB468.9 thousand per ton, RMB33.2 thousand per ton, and RMB44.8 thousand per ton in 2022, followed by a significant decline to RMB263.3 thousand per ton, RMB25.2 thousand per ton, and RMB33.7 thousand per ton in 2023, respectively, as the supply and demand relationship gradually stabilized. In 2024, the average price for lithium hydroxide (LiOH), yellow phosphorus ($P_4$) and nickel sulfate ($NiSO_4$) amounted to RMB81.8 thousand per ton, RMB20.3 thousand per ton and RMB31.4 thousand per ton, respectively. We recorded impairment losses on inventories of RMB282.4 million in 2023, which was primarily due to a significant decrease in overall prices of raw materials in the industry, mainly including lithium carbonate, which led to a decrease in the recoverable amount of inventories to below their carrying amount. We take various measures to mitigate the impact of raw material price fluctuations on us. For instance, from the customer side, we can pass on the increased raw material costs to downstream customers; from the supplier side, we strengthen strategic partnerships with certain suppliers to proactively lock in supply prices. The procurement price of key raw materials comprises the prices of bulk materials and relevant processing fees. Some of our procurement agreements include provisions on price adjustment for bulk materials.

We may include price linkage mechanisms in our raw material purchase agreements for raw materials such as metal materials such as lithium iron phosphate, lithium carbonate, copper foil, and aluminum foil. Suppliers of these raw materials would adjust their prices monthly based on metal quotations from non-ferrous metal websites. The reference prices for procurement from suppliers varies depending on the type of raw material. Specifically, (i) for copper foil and aluminum foil, both the price in the initial price quote and the price at which we settle payment are typically linked to the average monthly price as quoted on the metal market website during the month preceding the purchase order; (ii) for LFP, the price in the initial price quote is linked to the real-time price on the metal market website on the date of requesting the price quote, or the average price for a period less than a month preceding the price quote on the website; the final settlement pricing at which we make payments is typically linked to the monthly average price of the month in which we receive the raw material as quoted on the website during the month of taking delivery. For purchase agreements that do not contain a price linkage mechanism, we actively reach out to suppliers to renegotiate purchase prices to reflect changes in costs incurred by suppliers, market prevailing prices as well as our own cost management needs. These raw materials mainly include aluminum shells and top covers. See "Risk Factors—We are exposed to risks relating to price fluctuations of key raw materials" for a more detailed discussion of our risk exposures. Even though we do not plan to completely lock in our cost of supplies going forward, we intend to maintain our current procurement price linkage mechanism and adjust procurement prices in alignment with market prices to the extent commercially practicable.

We manage and monitor our inventory risks and to mitigate the impacts of delayed price adjustments and mismatched adjustment cycles. In particular, (i) we hold weekly team meetings to forecast sales and plan production schedules, ensuring alignment of production and inventory. During such meetings, we would make prompt warehousing decisions if we detect potential mismatch between our planned production and delivery to avoid excessive inventory or stockout; (ii) we track our inventory and shipment status to ensure reasonable flow of inventory on a daily basis; and (iii) we closely monitor the purchase orders we received, review sales contracts, and compare the current production progress with outstanding order volumes to ensure effective management.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant shortage of raw material supplies, and the raw materials provided by our suppliers did not have any significant quality issues.

**Key Terms of Procurement Agreements**

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

| | |
|---|---|
| **Purchase order** . . . . . . . . . | We shall notify the suppliers of the type, specification, quantity, unit price, tax rate and date of delivery of the raw materials we need in written purchase orders. |
| **Price** . . . . . . . . . . . . . . . . . . | Depending on the type of raw material and supplier, our procurement agreements may or may not include price linkage mechanisms. For procurement agreements with price linkage mechanisms, the price is referenced with the market price of relevant raw materials as published on the relevant industry association websites such as Shanghai Metals Market (updated daily based on market conditions). For example, among all the raw material we purchase, generally the purchase price of lithium iron phosphate, lithium carbonate, aluminum foil, cooper foil and lithium nickel manganese cobalt oxides are referenced with the market price. For the years ended December 31, 2023 and 2024, approximately 58.8% and 50.1% of our total purchases were in relation to the purchase of such raw materials with its price referenced to the market price.<br><br>For purchase agreements that do not contain a price linkage mechanism, we actively reach out to suppliers to renegotiate purchase prices to reflect changes in costs incurred by suppliers, market prevailing prices as well as our own cost management needs. In some cases where there is no price linkage mechanisms, we require suppliers to promptly lower prices if they provide such lower prices to other customers. |
| **Inspection and product returns** . . . . . . . . . . . . . | We conduct product inspection after delivery of the raw materials to us. We shall be entitled to return to the suppliers the defective raw materials that do not meet the agreed quality standard, and the suppliers shall remedy the same, including product return and replacement. |
| **Credit terms and payment method** . . . . . . | The credit period and payment method shall be in accordance with the purchase order. We are typically offered a credit term of 30-90 days. |

| | |
|---|---|
| **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. |
| **Duration, termination and renewal** . . . . . . . . . | The term of framework agreements is typically one year, which, if no further notice, could be automatically renewed upon the expiry of each term. The framework agreements may be terminated bilaterally or unilaterally by either party under the circumstances provided in the agreements. |

**Suppliers**

Our suppliers are primarily raw material providers based in China. Our suppliers source lithium carbonate, a key raw material for producing cathode material, primarily from domestic sources, which is generally less expensive compared to overseas sources due to shipping costs. There are no trade restrictions or tariffs on importing spodumene or lithium carbonate from overseas as of the Latest Practicable Date. However, for upstream mineral resources like nickel, copper, and lithium, suppliers may engage in overseas procurement for domestic processing, the prices of which are primarily affected by fluctuations in the global market. We carefully select our suppliers and require them to satisfy various assessment criteria. All potential suppliers must pass our internal supplier admission standard before entering into our qualified supplier list. We also carry out regular audits of qualified suppliers.

In 2021, 2022, 2023 and 2024, purchases from our largest supplier in each year during the Track Record Period amounted to RMB665.0 million, RMB1,326.6 million, RMB433.9 million and RMB674.8 million, representing 40.8%, 38.2%, 14.3% and 19.1% of our total amount of purchase during the respective years, while purchases from our five largest suppliers in each year during the Track Record Period amounted to RMB1,079.3 million, RMB2,230.0 million, RMB1,368.1 million and RMB1,736.4 million, representing 66.1%, 64.2%, 45.0% and 49.2% of our total amount of purchase during the respective years. We believe that we have a good cooperation relationship with our key suppliers.

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

| Rank | Supplier | Type of products purchased | Background | Year of commencement of business relationship | Credit terms | Payment methods | Purchase amount | Percentage of total purchase |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | *(RMB in thousands)* | *%* |
| **For the year ended December 31, 2021** | | | | | | | | |
| 1. . . | Hunan Changyuan Lico Co., Ltd. and its subsidiaries | Cathode materials | A public company in Hunan Province founded in 2002 with approximately RMB1.9 billion in registered capital that engages in the production of cathode battery materials. | 2019 | 60 days | Bank transfer/ acceptance bill | 665,013 | 40.8 |
| 2. . . | Shenzhen Capchem Technology Co., Ltd. | Electrolyte | A public company in Guangdong Province founded in 1996 with approximately RMB753.9 million in registered capital that engages in the production of battery materials. | 2019 | 30 days | Bank transfer/ acceptance bill | 150,859 | 9.2 |
| 3. . . | WAH WEI COPPER FOIL TECHNOLOGY LTD and its subsidiaries | Copper foil | A private company in Hong Kong founded in 2002 that engages in the production of copper foil. | 2019 | 30 days | Bank transfer/ acceptance bill | 127,321 | 7.8 |

| Rank | Supplier | Type of products purchased | Background | Year of commencement of business relationship | Credit terms | Payment methods | Purchase amount | Percentage of total purchase |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | *(RMB in thousands)* | *%* |
| 4. . . | Dongguan Silicon Xiang Insulation Material Co., Ltd. | System main materials | A private company in Guangdong Province founded in 2008 with approximately RMB28.8 million in registered capital that engages in the production of battery heating film. | 2019 | 30-60 days | Bank transfer/ acceptance bill | 77,043 | 4.7 |
| 5. . . | Guangdong Kaijin New Energy Technology Corp., Ltd. and its subsidiaries | Anode battery materials | A public company in Guangdong Province founded in 2012 with approximately RMB369.1 million in registered capital that engages in the production of anode battery materials. | 2019 | 60-90 days | Bank transfer/ acceptance bill | 59,033 | 3.6 |
| | | | | | | **Total** | **1,079,269** | **66.1** |

| Rank | Supplier | Type of products purchased | Background | Year of commencement of business relationship | Credit terms | Payment methods | Purchase amount | Percentage of total purchase |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | *(RMB in thousands)* | *%* |
| **For the year ended December 31, 2022** | | | | | | | | |
| 1 . . | Hunan Changyuan Lico Co., Ltd. and its subsidiaries | Cathode materials | A public company in Hunan Province founded in 2002 with approximately RMB1.9 billion in registered capital that engages in the production of cathode battery materials. | 2019 | 60 days | Bank transfer/ acceptance bill | 1,326,649 | 38.2 |
| 2 . . | Supplier A[(1)] | Cathode materials | A private company in Jiangsu Province founded in 2021 with approximately RMB300.0 million in registered capital that engages in the production of battery materials. | 2021 | 50% prepayment; 50% payment upon receipt/ payment upon receipt | Bank transfer/ acceptance bill | 435,670 | 12.5 |
| 3 . . | Nantong Reshine New Material Co., Ltd | Cathode materials | A private company in Jiangsu Province founded in 2006 with approximately RMB467.8 million in registered capital that engages in the production of battery materials. | 2019 | 30 days | Bank transfer/ acceptance bill | 176,200 | 5.1 |

| Rank | Supplier | Type of products purchased | Background | Year of commencement of business relationship | Credit terms | Payment methods | Purchase amount | Percentage of total purchase |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | *(RMB in thousands)* | *%* |
| 4 . . | Shenzhen Capchem Technology Co., Ltd. | Electrolyte | A public company in Guangdong Province founded in 1996 with approximately RMB753.9 million in registered capital that engages in the production of battery materials. | 2019 | 30-60 days | Bank transfer/ acceptance bill | 173,259 | 5.0 |
| 5 . . | WAH WEI COPPER FOIL TECHNOLOGY LTD and its subsidiaries | Copper foil | A private company in Hong Kong founded in 2002 that engages in the production of copper foil. | 2019 | 30-180 days | Bank transfer/ acceptance bill | 118,226 | 3.4 |
| | | | | | | **Total** | **2,230,004** | **64.2** |

*Note:*

(1) According to publicly available information, Supplier A has registered capital of RMB300 million and it is wholly owned by a company engaged in lithium battery cathode material business, which is in turn controlled by a company listed on the Shanghai Stock Exchange.

| Rank | Supplier | Type of products purchased | Background | Year of commencement of business relationship | Credit terms | Payment methods | Purchase amount | Percentage of total purchase |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | *(RMB in thousands)* | *%* |
| **For the year ended December 31, 2023** | | | | | | | | |
| 1. . | Sichuan Langsheng New Energy Technology Co., Ltd. | Cathode materials | A private company in Sichuan Province founded in 2017 with approximately RMB680.9 million in registered capital that engages in the production of cathode battery materials. | 2022 | 30-60 days | Bank transfer/ acceptance bill | 433,931 | 14.3 |
| 2. . | Supplier B | Cathode materials | A public company in Fujian Province founded in 2016 with approximately RMB420.8 million in registered capital that engages in the production of battery materials. | 2021 | 30 days | Bank transfer/ acceptance bill | 301,000 | 9.9 |
| 3. . | Hunan Changyuan Lico Co., Ltd. and its subsidiaries | Cathode materials | A public company in Hunan Province founded in 2002 with approximately RMB1.9 billion in registered capital that engages in the production of cathode battery materials. | 2019 | 60-180 days | Bank transfer/ acceptance bill | 230,467 | 7.6 |

| Rank | Supplier | Type of products purchased | Background | Year of commencement of business relationship | Credit terms | Payment methods | Purchase amount | Percentage of total purchase |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | *(RMB in thousands)* | *%* |
| 4. . | Hunan Yuneng New Energy Battery Material Ltd | Cathode materials | A public company in Hunan Province founded in 2016 with approximately RMB757.3 million in registered capital that engages in the production of battery materials. | 2022 | 30 days | Bank transfer/ acceptance bill | 219,989 | 7.2 |
| 5. . | Shenzhen Capchem Technology Co., Ltd. | Electrolyte | A public company in Guangdong Province founded in 1996 with approximately RMB753.9 million in registered capital that engages in the production of battery materials. | 2019 | 60-90 days | Bank transfer/ acceptance bill | 182,680 | 6.0 |
| | | | | | | **Total** | **1,368,067** | **45.0** |

| Rank | Supplier | Type of products purchased | Background | Year of commencement of business relationship | Credit terms | Payment methods | Purchase amount | Percentage of total purchase |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | *(RMB in thousands)* | *%* |
| **For the year ended December 31, 2024** | | | | | | | | |
| 1 . . | Hunan Changyuan Lico Co., Ltd. and its subsidiaries | Cathode materials | A public company in Hunan Province founded in 2002 with approximately RMB1.9 billion in registered capital that engages in the production of cathode battery materials. | 2019 | 60 days | Bank transfer/ acceptance bill | 674,843 | 19.1 |
| 2 . . | Anhui WAH WEI COPPER FOIL TECHNOLOGY LTD | Copper foil | A private company in Hong Kong founded in 2002 that engages in the production of copper foil. | 2019 | 30 days | Bank transfer/ acceptance bill | 369,849 | 10.5 |
| 3 . . | Sichuan Langsheng New Energy Technology Co., Ltd. | Cathode materials | A private company in Sichuan Province founded in 2017 with approximately RMB680.9 million in registered capital that engages in the production of cathode battery materials. | 2022 | 30-60 days | Bank transfer/ acceptance bill | 356,100 | 10.1 |

| Rank | Supplier | Type of products purchased | Background | Year of commencement of business relationship | Credit terms | Payment methods | Purchase amount | Percentage of total purchase |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | *(RMB in thousands)* | *%* |
| 4 . . | Jiangsu Ruidefeng Precision Technology Co., Ltd. | Other core materials for battery cells (including top cover, soft connection, and aluminum shell) | A private company in Jiangsu Province founded in 2010 with approximately RMB100.0 million in registered capital that engages in the production of structural parts. | 2019 | 30 days | Bank transfer/ acceptance bill | 187,123 | 5.3 |
| 5 . . | Guangdong Dongdao New Energy Co., Ltd. | Graphite | A private company in Guangdong Province founded in 2011 with approximately RMB60.2 million in registered capital that engages in the production of battery materials. | 2020 | 90 days | Bank transfer/ acceptance bill | 148,467 | 4.2 |
| | | | | | | **Total** | **1,736,382** | **49.2** |

Our Directors confirm that none of our Directors or their respective associates or any Shareholder holding more than 5% of our issued share capital held any interest in any of our five largest suppliers during the Track Record Period.

## SALES, MARKETING AND CUSTOMERS

Leveraging our experience in the auto part industry, we have established long-term relationships and trust with a large number of OEMs in China. Our differentiated business approaches have earned us recognition as an effective supplier by a large number of OEM customers, including large state-owned enterprises, pure-play EV companies in China, and multi-national OEMs. We have established sales relationships with respect to several key battery products with OEMs such as GAC-Toyota, SAIC-GM, SAIC-GM Wuling, Leap Motor, FAW Hongqi, GAC Trumpchi and Dongfeng Peugeot Citroën, among other leaders in the global EV industry. As of the Latest Practicable Date, we were in cooperation with 11 OEMs on 48 design-win projects. We have also received numerous supplier awards from our customers, including the following:

| Year | Client | Awards |
|---|---|---|
| 2022 | Dongfeng Peugeot Citroën | Best Supplier |
| 2022 | Leap Motor | 2022 Pioneering and Innovation Award |
| 2023 | GAC Trumpchi | 2023 Top Ten Suppliers |
| 2023 | Leap Motor | 2023 Outstanding Partner |
| 2023 | FAW Hongqi | Flag Quality Award |
| 2023 | SAIC-GM | Pioneer and Innovation Award |
| 2023 | SAIC-GM Wuling | Guaranteed Supply Excellence Execution Award |
| 2023 | Deye Holdings | 2023 Excellent Quality Award |
| 2024 | FAW Hongqi | Flag Quality Award |
| 2024 | SAIC-GM Wuling | 2024 Excellent Quality Award |
| 2025 | Leap Motor | 2024 Leap Value Award |
| 2025 | GAC Trumpchi | 2024 Top Ten Suppliers |

### Sales and Marketing

As of December 31, 2024, our sales and marketing department consists of 69 employees, focusing on three segments including power battery business, emerging market business and energy storage business. The primary responsibilities of our sales personnel include developing sales and marketing plans, identifying product markets, acquiring clients, conducting business negotiations, and establishing cooperative relationships with our clients. Our sales and marketing team conducts annual, quarterly, monthly and weekly sales forecasts, executes sales and marketing plans, implements profit point indicator plans, follows up on customer payments, and prevents bad debts. In addition, after signing sales contracts, our sales and marketing team will follow up on key milestones such as order placement and delivery, and provide support such as bill checking and invoicing.

Our customer acquisition and sales process mainly involve the following aspects:

- target customer screening;
- visiting customers and building relationships;
- customers' site visits and audits;
- communication of project proposals and quotations;
- project approval, kick-off and development;
- delivery, review, testing and validation of samples;
- order execution and delivery; and
- payment settlement and after-sales service.

Once we obtain a design-win, we initiate the project development phase to prepare for mass production, and sign a framework sales agreement with our customer. Thereafter, customers place purchase orders, which kick start the mass production process. We prepare raw materials, manufacture the products, and arrange delivery. After the product delivery, we reconcile the accounts and issue invoices in accordance with the purchase orders. The customer then completes the payment process accordingly. Such an end-to-end process generally takes around 14 to 27 months, including 11 to 24 months from design-win to receiving the purchase order, and approximately three months until delivery and recording revenue.

### Customers

The customers of our battery products are primarily EV manufacturers in China, including large state-owned enterprises, pure-play EV companies, and multi-national OEMs. Our sales volume is primarily dependent on the EV mass production and sales of our customers.

In 2021, 2022, 2023 and 2024, sales to our largest customer in each year during the Track Record Period amounted to RMB828.3 million, RMB962.5 million, RMB1,179.1 million and RMB1,462.3 million, representing 55.2%, 29.3%, 28.3% and 28.5% of our total revenue for the respective years, respectively, while our five largest customers in each year during the Track Record Period amounted to RMB1,337.4 million, RMB2,972.7 million, RMB3,238.2 million and RMB4,530.0 million, representing 89.1%, 90.4%, 77.8% and 88.2% of our total revenue for the respective years, respectively. The increase in the percentage of our revenues from the five largest customers of the total revenue in 2024 was primarily due to (i) our strategic focus on top OEM customers which we are collaborating more vehicle models given tight production capacity in 2024; (ii) the revenue growth from three of our top five customers, which increased by 24.0%, 12.3% and 79.3% compared to 2023, resulting in an overall increase in the proportion of revenue contributed by our top five customers; and (iii) in addition, the revenue contribution of our ESS business decreased from 7.6% of total revenues in 2023 to 4.2% in 2024.

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

| Rank | Customer | Type of products purchased from us | Background | Year of commencement of business relationship | Credit terms | Payment methods | Revenue | Percentage of total revenue |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | *(RMB in thousands)* | % |
| **For the year ended December 31, 2021** | | | | | | | | |
| 1. . | WM Motor Technology Group Company Limited and its subsidiaries | NCM and LFP battery | A private company in Shanghai founded in 2015 with approximately RMB6.0 billion in registered capital that engages in the electric vehicle manufacturing. | 2019 | 45 days | Bank transfer/ acceptance bill | 828,335 | 55.2 |
| 2. . | FAW Group Co., Ltd. and its subsidiaries | NCM battery | A public company in Jilin Province founded in 1956 with approximately RMB78.0 billion in registered capital that engages in the automobile and parts manufacturing. | 2019 | 60 days | Bank transfer/ acceptance bill | 203,816 | 13.6 |

| Rank | Customer | Type of products purchased from us | Background | Year of commencement of business relationship | Credit terms | Payment methods | Revenue | Percentage of total revenue |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | *(RMB in thousands)* | % |
| 3. . | Dongfeng Liuzhou Motor Co., Ltd. | NCM battery | A private company in Guangxi Zhuang Autonomous Region founded in 1954 with approximately RMB1.2 billion in registered capital that engages in the automobile and parts manufacturing. | 2019 | 60 days | Bank transfer/ acceptance bill | 168,530 | 11.2 |
| 4. . | Dongfeng Peugeot Citroën Automobile Company LTD | NCM battery | A sino-foreign joint venture in Hubei Province founded in 1992 with approximately RMB7.0 billion in registered capital that engages in the automobile and parts manufacturing. | 2021 | 90 days | Bank transfer | 83,654 | 5.6 |

| Rank | Customer | Type of products purchased from us | Background | Year of commencement of business relationship | Credit terms | Payment methods | Revenue | Percentage of total revenue |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | *(RMB in thousands)* | *%* |
| 5. . | Customer A[(1)] | NCM battery | A private company in Guangdong Province founded in 2006 with approximately RMB62.3 million in registered capital that engages in the battery management system manufacturing. | 2021 | Prepayment/ 35 days | Bank transfer/ acceptance bill | 53,039 | 3.5 |
| | | | | | | **Total** | **1,337,374** | **89.1** |

*Note:*

(1) We became acquainted with Customer A through collaboration on an EV project, where we proactively promoted our products to Customer A and initiated further cooperation. Customer A primarily engages in the manufacturing of power battery management systems, which are primarily used in electric commercial vehicles, electric passenger vehicles, electric forklifts and logistics vehicles, and power battery systems, which includes battery packs. The end customers of Customer A primarily include OEMs and battery cell manufacturers.

| Rank | Customer | Type of products purchased from us | Background | Year of commencement of business relationship | Credit terms | Payment methods | Revenue | Percentage of total revenue |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | *(RMB in thousands)* | *%* |
| **For the year ended December 31, 2022** | | | | | | | | |
| 1. . | WM Motor Technology Group Company Limited and its subsidiaries | NCM and LFP battery | A private company in Shanghai founded in 2015 with approximately RMB6.0 billion in registered capital that engages in the electric vehicle manufacturing. | 2019 | 45 days | Bank transfer/ acceptance bill | 962,452 | 29.3 |
| 2. . | FAW Group Co., Ltd. | NCM battery | A public company in Jilin Province founded in 1956 with approximately RMB78.0 billion in registered capital that engages in the automobile and parts manufacturing. | 2019 | 60 days | Bank transfer/ acceptance bill | 943,440 | 28.7 |
| 3. . | Zhejiang Leapmotor Technology Co., Ltd. and its subsidiaries | LFP battery | A public company in Zhejiang Province founded in 2015 with approximately RMB1.3 billion in registered capital that engages in the electric vehicle manufacturing. | 2021 | 60 days | Bank transfer/ acceptance bill | 488,072 | 14.8 |

| Rank | Customer | Type of products purchased from us | Background | Year of commencement of business relationship | Credit terms | Payment methods | Revenue | Percentage of total revenue |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | *(RMB in thousands)* | *%* |
| 4. . | Dongfeng Peugeot Citroën Automobile Company LTD | NCM battery | A sino-foreign joint venture in Hubei Province founded in 1992 with approximately RMB7.0 billion in registered capital that engages in the automobile and parts manufacturing. | 2021 | 30 days | Bank transfer | 321,352 | 9.8 |
| 5. . | TWS Technology (Guangzhou) Ltd and its subsidiaries | NCM battery | A private company in Guangdong Province founded in 1998 with approximately RMB127.6 million in registered capital that engages in the Lithium-Ion battery module manufacturing. | 2021 | 15% prepayment; 85% payment upon receipt | Bank transfer | 257,424 | 7.8 |
| | | | | | | **Total** | **2,972,740** | **90.4** |

| Rank | Customer | Type of products purchased from us | Background | Year of commencement of business relationship | Credit terms | Payment methods | Revenue | Percentage of total revenue |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | *(RMB in thousands)* | *%* |
| **For the year ended December 31, 2023** | | | | | | | | |
| 1. . | Zhejiang Leapmotor Technology Co., Ltd. and its subsidiaries | LFP battery | A public company in Zhejiang Province founded in 2015 with approximately RMB1.3 billion in registered capital that engages in the electric vehicle manufacturing. | 2021 | 60 days | Bank transfer/ acceptance bill | 1,179,146 | 28.3 |
| 2. . | A subsidiary[(1)] and a branch[(2)] of Guangzhou Automobile Group Co., Ltd. | NCM battery | A public company in Guangdong Province founded in 1997 with approximately RMB10.2 billion in registered capital that engages in the automobile and parts manufacturing. | 2021 | 60 days | Bank transfer | 959,022 | 23.0 |
| 3. . | SAIC GM Wuling Automobile Company Limited | LFP battery | A public company in Guangxi Zhuang Autonomous Region founded in 1998 with approximately RMB1.7 billion in registered capital that engages in the automobile manufacturing. | 2023 | 60 days | Acceptance bill | 647,589 | 15.6 |

| Rank | Customer | Type of products purchased from us | Background | Year of commencement of business relationship | Credit terms | Payment methods | Revenue | Percentage of total revenue |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | *(RMB in thousands)* | *%* |
| 4. . | FAW Group Co., Ltd. | NCM battery | A public company in Jilin Province founded in 1956 with approximately RMB78.0 billion in registered capital that engages in the automobile and parts manufacturing. | 2019 | 30 days | Bank transfer/ acceptance bill | 260,774 | 6.3 |
| 5. . | Customer B[(3)] | Other products[(4)] | A private company in Hunan Province founded in 2023 with approximately RMB2.0 million in registered capital that engages in the trading of lithium batteries. | 2023 | Prepayment | Bank transfer | 191,673 | 4.6 |
| | | | | | | **Total** | **3,238,204** | **77.8** |

*Notes:*

(1) Represents GAC Motor Co., Ltd.

(2) Represents Guangzhou Automobile Group Company Automotive Engineering Institute.

(3) We became acquainted with Customer B during the bidding process for the down-grade products which were originally manufactured for WM Customer. In 2022, due to the WM Customer Incident, we had certain inventories originally manufactured for WM Customer which cannot be retooled for other customers. Instead, such products could only be sold at discounted price as down-grade products. With Customer B's purchase intention, we sold the down-grade products to them at the agreed price and amount. The end customers of Customer B primarily include domestic and foreign trade companies, with the main products being ESS products, and low-voltage power battery manufacturers, with the main products being applied in electric low-speed two-wheelers and energy storage scenarios.

(4) "Other products" were down-grade products, primarily including battery cells and modules, which were originally produced for WM Customer and unable to be sold at full price to other customers after WM Customer Incident due to the customized nature.

| Rank | Customer | Type of products purchased from us | Background | Year of commencement of business relationship | Credit terms | Payment methods | Revenue | Percentage of total revenue |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | *(RMB in thousands)* | *%* |
| **For the year ended December 31, 2024** | | | | | | | | |
| 1 . . | Zhejiang Leapmotor Technology Co., Ltd. and its subsidiaries | LFP battery | A public company in Zhejiang Province founded in 2015 with approximately RMB1.3 billion in registered capital that engages in the electric vehicle manufacturing. | 2021 | 60 days | Bank transfer/ acceptance bill | 1,462,322 | 28.5 |
| 2 . . | Subsidiaries(1) and a branch(2) of Guangzhou Automobile Group Co., Ltd. | NCM battery | A public company in Guangdong Province founded in 1997 with approximately RMB10.2 billion in registered capital that engages in the automobile and parts manufacturing. | 2021 | 60 days | Bank transfer | 1,076,672 | 21.0 |
| 3 . . | SAIC GM Wuling Automobile Company Limited | LFP battery | A public company in Guangxi Zhuang Autonomous Region founded in 1998 with approximately RMB1.7 billion in registered capital that engages in the automobile manufacturing. | 2023 | 60 days | Acceptance bill | 1,160,950 | 22.6 |

| Rank | Customer | Type of products purchased from us | Background | Year of commencement of business relationship | Credit terms | Payment methods | Revenue | Percentage of total revenue |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | *(RMB in thousands)* | *%* |
| 4 . . | Customer C | NCM battery/ LFP battery | A sino-foreign joint venture in Shanghai founded in 1997 with approximately US$1.1 billion in registered capital that engages in the automobile and parts manufacturing. | 2022 | 40 days | Bank transfer/ acceptance bill | 566,554 | 11.0 |
| 5 . . | FAW Group Co., Ltd. | NCM battery | A public company in Jilin Province founded in 1956 with approximately RMB78.0 billion in registered capital that engages in the automobile and parts manufacturing. | 2019 | 60 days | Bank transfer/ acceptance bill | 263,509 | 5.1 |
| | | | | | | **Total** | **4,530,007** | **88.2** |

*Notes:*

(1) Represents GAC Motor Co., Ltd. and GAC Aion New Energy Automobile Co., Ltd.

(2) Represents Guangzhou Automobile Group Company Automotive Engineering Institute.

Our Directors confirm that none of our Directors or their respective associates or any Shareholder holding more than 5% of our issued share capital held any interest in any of our five largest customers during the Track Record Period.

## Pricing

We consider a number of factors in determining the pricing of our products, including the length of our relationship with the customer, level of competition for similar products, raw material price, manufacturing complexity and costs, among other factors. We believe our long-standing relationship, product quality, wide coverage of product use cases and unique value propositions to customers help us negotiate for more premium pricing for our products while remaining competitive in the market.

We have adopted pricing policies which prescribe different pricing strategies for different types of battery products. For battery cells, the pricing reflects the specific power requirements and capacity ranges of different applications. For example, PHEVs typically require batteries to deliver higher power output than BEVs, resulting in a higher per-Wh price for PHEV battery cells. Battery cells at the same capacity also have different pricing depending on the electrochemistry system: NCM battery cells typically have a higher per-Wh price compared to LFP battery cells, primarily due to the higher production costs involved with NCM battery cells.

In addition, our flexible pricing policies consider factors such as customer segments, the strategic importance of products, technological advancements, project competitiveness, costs (especially for purchase agreements with price linkage mechanisms), and target profitability. Pursuant to our pricing policies, we typically charge lower prices for customers with large purchase volumes due to their economies of scale and the strategic importance of such customers.

Below is a comparison of the pricing of our battery product with comparable products by peers in 2023. Our pricing is relatively lower in 2023 compared to peers, primarily because (i) the price of major raw materials (in particular lithium carbonate) as well as the selling price of battery products continuously declined throughout 2023, and our sales in the second half of the year (when the average selling price was lower than the first half of the year) accounted for 78.1% of our total annual sales volume in 2023 in terms of GWh; and (ii) the percentage of our sales from battery cells was 75.0% in 2023 in terms of GWh which is typically higher than peers, and battery cells typically have lower selling price per Wh compared to battery packs, according to Frost & Sullivan.

| | **Pricing**[Note] |
|---|---|
| | *(RMB/Wh)* |
| Our Group | 0.57 |
| EVE Battery | 0.85 |
| CALB | 0.67 |
| CATL | 0.89 |
| Sunwoda | 0.93 |
| REPT BATTERO | 0.79 |

*Note:*

Refers to the average selling prices of power battery products in 2023. Numbers were calculated by dividing sales revenue by sales volume in 2023 using latest publicly disclosed information and data. The battery products include various products such as battery cells, modules and packs.

We also typically include price adjustment mechanisms, which allow us to adjust pricing within a pre-agreed range under certain circumstances, such as drastic fluctuations in raw material prices. According to Frost & Sullivan, such price adjustment mechanisms are in line with industry norms.

**Key Terms of Sales Agreements**

We typically enter into sales agreements with our major customers, under which our customers will enter into individual purchase orders with us. Our sales agreements typically contain the following terms:

**Specification** . . . . . . . . . . . . . . . . . . . . . . Since our business involves the development of products and technologies for customers, we usually set relevant technical parameters in the agreements, which specify certain characteristics of the products to be delivered.

**Price** . . . . . . . . . . . . . . . . . . . . . . . . . . . We typically specify the price of each product and service provided to customers in the individual purchase order, including unit price and total price. We also specify price adjustment mechanism in the framework agreements that gives us more flexibility in pricing. In some of our sales agreements, we are entitled to adjust the cost of raw materials, which is part of the price of our products, based on the market price. Specifically, we adjust the pricing of our products based on changes in the costs of such raw materials over a specified period. This pricing mechanism may involve transitioning from fixed pricing to floating pricing, where product prices are linked to the movements in the market prices of key raw materials, as published on trusted industry platforms such as the Shanghai Metals Market. In addition, for certain customers, we may negotiate supplementary adjustments or compensations to reflect the impact of raw material price changes on previously completed sales during a given period. The specifics of our pricing adjustments, including timing, calculation formulae, and adjustment parameters, vary across customers and depend on factors such as the terms of the agreements, the timing of the contracts, and the negotiation outcomes with those customers. For agreements incorporating price adjustment mechanisms, we typically review and adjust prices on a regular basis to ensure alignment with the agreed-upon terms. The adjusted prices are then applied to orders for a specified period or may be used to determine compensation for prior sales, as applicable.

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| **Payment term** | We grant credit period to our customers according to their credit profile and historical performance, with typical credit terms of 30-90 days to eligible customers. |
| **Delivery term** | We typically bear the costs and risks in the delivery process. |
| **Duration, termination and renewal** | The term of framework agreements generally ranges from 5 months to five years. The renewal of framework agreements is negotiated on a case-by-case basis. |
| **Minimum purchase requirement** | We typically do not set minimum purchase requirements in the framework agreements, and the exact purchase amount is specified in the individual sales orders. |
| **Warranty period** | We offer a warranty period for our battery products based on the years and/or miles of use, which varies based on the customers' needs and the type of products. |
| **Confidentiality** | We usually set confidentiality clauses in the framework agreements with customers, and the period of confidentiality obligations may be extended to after the expiration of the sales contract. |

The following table sets forth key terms of sales agreement between STAES and its customers.

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| **Specification** | Customers set relevant technical parameters in the agreements, which specify certain characteristics of the products to be delivered. |

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| **Price** | In each June and December, parties negotiate and determine the purchase price for the next six months. The framework agreements include price adjustment mechanisms that enable price changes in response to material changes in laws, economic conditions or raw material supplies. |
| **Payment term** | Payment for delivery in a certain month is generally due by the 25th of the next month. |
| **Delivery term** | STAES bears risk of loss until products are delivered to carrier or venue designated by the customers. |
| **Duration, termination and renewal** | The framework agreements are automatically renewed for one additional year each time, unless either party terminates in writing 90 days before expiration. The framework agreement may also be terminated due to material changes or breaches by either party. |
| **Minimum purchase requirement** | The framework agreements do not set minimum purchase requirements, and the exact purchase amount is specified in the individual sales orders. In each December, customers undertake to provide an estimate of demand for the next three years, which is indicative only. |
| **Warranty period** | STAES offers warranty periods which vary based on the type of products delivered and the reason that caused the need for repairs. |
| **Confidentiality** | Parties may not disclose the content of the framework agreement without mutual consent except for content that is already available to the public. |

**Customer Service**

We believe that timely and quality customer services are one of the important competitive factors, as they are directly related to customer satisfaction and help in shaping the customer's purchase decisions.

We are committed to building a professional customer service team and standardized customer service processes to provide high-quality services to our customers. We have established a dedicated after-sales customer service team, providing a comprehensive after-sales service system including after-sales quality, support and services. Our after-sales customer service team is primarily responsible for receiving and addressing customer complaints, conducting product failure analysis and providing after-sales maintenance and technical support.

We have a rapid response mechanism to our customer complaints. We require after-sale customer complaints to be responded to within one business day for our customer complaints and requests. During the Track Record Period and as of the Latest Practicable Date, we have not received any material customer complaints.

We have a comprehensive process to handle customer returns and exchanges. Upon receiving customer complaints or requests for product returns and exchanges, our sales department, after-sales customer service department, and R&D department will internally discuss and review to determine if the conditions for product returns or exchanges are met. If the product return conditions are not met, our PMC will communicate and coordinate with the customers; if the product return conditions are met, the relevant return process will be executed. Our product return process mainly includes the following steps: (i) the sales department and after-sales customer service department initiate the customer complaint application; (ii) the after-sales customer service department handles packaging and counting of the products, and the PMC is responsible for logistics return, warehouse receipt and inspection review; (iii) the sales department, after-sales customer service department and R&D department propose solutions to handle the returned products, and (iv) the PMC completes the inventory processing of customer returns.

We have also established a comprehensive warranty policy. We assess our ability to achieve quality assurance based on customer technical specifications. Generally, we provide an 8-year or 150,000-kilometer warranty for EV battery products and a warranty for ESS battery products ranging from 6,000 to 8,000 cycles. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant product returns from customers.

**Overlapping Customer and Supplier**

During the Track Record Period, to the best knowledge and belief of our Directors, we had one supplier who is also our major customer.

TWS Technology (Guangzhou) Ltd ("**TWS**") is our supplier for the OEM of battery modules and also one of our major customers. We sell NCM battery cells to TWS, who then processes part of them into modules and sells the modules to us as well as other customers. The reason for this arrangement was because before we acquired Suzhou ZENIO, we lacked sufficient capacity to manufacture battery modules, and considering TWS' rich experience in the industry of module production, we decided to commission them as the OEM supplier for modules. TWS was originally selected by Jiangsu TAFEL to help process battery cells into modules in 2018 when Jiangsu TAFEL did not have battery module and pack manufacturing capacity. TWS was selected because (i) its location was in close proximity with Jiangsu TAFEL's facilities in Nanjing; and (ii) TWS was one of the very limited number of available battery module and pack manufacturers in China at the time when China's new energy industry was still at an early development stage. Jiangsu TAFEL began having its internal battery module and pack capacity in 2019, but still retained TWS to help process battery modules because its own internal capacity was not sufficient to satisfy the significant growth in demand from a number of OEM customers. After we acquired Jiangsu TAFEL's business under common control, we replaced Jiangsu TAFEL in its relationships with TWS.

In each year of 2021, 2022, 2023 and 2024, revenue from TWS accounted for 2.4%, 7.8%, 1.4% and nil of our total revenue, purchases from TWS accounted for 1.3%, 0.4%, nil and nil of our total purchases.

## BUSINESS OF SUZHOU ZENIO AND JIANGSU TAFEL

### Acquisition and Business of Jiangsu TAFEL

Jiangsu TAFEL was engaged in the development, manufacturing and sales of new energy power batteries. According to Frost & Sullivan, Jiangsu TAFEL and its subsidiaries ranked 7th largest power battery manufacturers as measured by monthly installation capacity in February 2020 and 7th place in 2021 as measured by accumulative installation capacity. At the time of the establishment of our Company in February 2019, Jiangsu TAFEL was a minority shareholder holding 30% of the equity interests in the Company. Our Company had been a wholly-owned subsidiary of Jiangsu TAFEL from May 2020 until the commencement of the Business Reorganization in December 2021. In February 2022, the then shareholders of Jiangsu TAFEL resolved to transfer its business and certain assets including properties, plant and equipment, other intangible assets and part of the inventories held by Jiangsu TAFEL and its subsidiaries to our Company and its subsidiaries. Accordingly, relevant asset transfer agreements were entered into in February 2022 amongst Jiangsu TAFEL and its subsidiaries, and our Company and its subsidiaries to effect the aforementioned business acquisition and asset transfers at the total consideration of RMB1,854.8 million, which was determined based on the valuation of such assets appraised by an independent professional valuer or the book value of the relevant assets, including part of the inventories which were still in the physical possession of Jiangsu TAFEL and not shipped out and could be used for further sale after the acquisition, at the relevant time. The acquisition of Jiangsu TAFEL's business enhanced our business scale and our capabilities in the development and manufacturing of power battery products. Jiangsu TAFEL did not transfer any liabilities to our Group, apart from warranty liabilities for products sold of approximately RMB48.0 million.

### Accounting Policy Information Related to the Business Reorganization

Pursuant to the Business Reorganization, as more fully explained in "History, Reorganization and Corporate Structure—Corporate Development and Major Shareholding Changes—3. Business Reorganization of Our Group," our Group acquired businesses of Jiangsu TAFEL and its subsidiaries which were under the common control of the controlling shareholders before and after the Business Reorganization. Accordingly, the historical financial information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Business Reorganization had been completed at the beginning of the Track Record Period. Therefore, Jiangsu TAFEL is combined into our Group's financial statements since the beginning of the Track Record Period by applying the principles of merger accounting.

According to the terms of the Business Reorganization, our Group (i) undertook the business; (ii) acquired certain assets including properties, plant and equipment, other intangible assets, and part of the inventories; (iii) assumed provision for warranty claims and the personnel held by Jiangsu TAFEL that constitute a business combination; while other current assets and liabilities that do not constitute a business combination and are not related to our Group's long-term business operation and development were retained by Jiangsu TAFEL on February 28, 2022. From an accounting perspective, the assets and liabilities retained by Jiangsu TAFEL were deemed as disposal of assets by our Group in 2022 upon the Business Reorganization as all assets and liabilities of Jiangsu TAFEL had been included into our Group's financial statements since the beginning of the Track Record Period.

### Acquisition and Business of Suzhou ZENIO

Suzhou ZENIO was engaged in the manufacturing of battery modules and battery packs. On February 25, 2022, Zenergy Investment transferred its entire 100% equity interests in Suzhou ZENIO to our Company at a consideration of RMB306.9 million, being the fair value of identifiable assets and liabilities of Suzhou ZENIO on the date of the acquisition of RMB305.6 million plus goodwill arising from the acquisition of RMB1.3 million. The acquisition of Suzhou ZENIO enhanced our capabilities in the development and manufacturing of battery modules and battery packs, which greatly complements our existing capabilities in power battery cells.

### Materiality of the Acquisitions

The total consideration for the acquisition of Jiangsu TAFEL's business under common control was RMB1,854.8 million, which was determined based on the valuation of acquired assets as appraised by an independent professional valuer or the book value of the relevant assets at the relevant time. The total consideration of the acquisition of Suzhou ZENIO was RMB306.9 million, being the fair value of identifiable assets and liabilities of Suzhou ZENIO on the date of the acquisition of RMB305.6 million plus goodwill arising from the acquisition of RMB1.3 million.

As of December 31, 2021, being the most recent balance sheet date prior to the above acquisition of Jiangsu TAFEL's business under common control, the total assets of our Group was RMB5,815.0 million (which consolidated the balance of Jiangsu TAFEL's assets as of December 31, 2021). See note 2.1 to the Accountants' Report included in Appendix I to this Prospectus for basis of consolidation.

**Integration of the Acquired Businesses**

Since the respective acquisitions of Jiangsu TAFEL and Suzhou ZENIO, we had undertaken a series of measures to integrate the various aspects of their business operations into our Group. For example, we integrated the equipment, tools, patents and other assets that are necessary for the research, development, manufacturing and sales of new energy power batteries. We also proactively commingled human resources of the acquired businesses into our group, including key personnel procured from the acquired business of Jiangsu TAFEL and Suzhou ZENIO. For example, Dr. Yu Zhexun, our employee representative Director, joined our Group in March 2022 upon completion of the acquisition of Jiangsu TAFEL's business where he accumulated working and research experience in battery related research and development. Leveraging Jiangsu TAFEL's established and operational manufacturing capabilities and customer contacts, we took measures to ensure a smooth transition so as to continue the manufacturing and sales relationships with Jiangsu TAFEL's existing customers or pursue further negotiations with its potential customers. Specifically, we completed the supplier change procedures by Jiangsu TAFEL's OEM customers and became the official supplier for these customers.

## BUSINESS SUSTAINABILITY

**Business and Industry Background**

In the power battery industry, significant upfront investments are required at the initial stage of industry players' business operations on manufacturing capacity and product R&D. On the one hand, players need to invest heavily on establishing and continuously expanding manufacturing capacity to meet customer demands. Such investment may not yield any meaningful return until after the manufacturing facilities are constructed and ramped up, which could take a significant amount of time. On the other hand, players need to invest heavily on the R&D of technologies and products to ensure they can launch competitive products which can stay ahead of the latest development in industry trends and market demands. For example, players need to make substantial investments in R&D projects that can effectively improve product performance, safety and cost efficiency, and can streamline the manufacturing process. Such intense initial investments in manufacturing capacity and R&D activities may not yield immediate financial return, causing acute initial financing pressure for industry players.

Intense competition has led to an average of three to five years of net loss position for new players in China's power battery industry, because new players have yet to be able to leverage economies of scale and to achieve optimal operational efficiency. According to Frost & Sullivan, competition in China's power battery industry is increasingly intense primarily due to increasing capital resources invested in China's battery and new material industries, fluctuations in raw material prices, and emergence of new players. Existing players are continuously raising the industry's entry barrier, forcing players to invest more in product R&D, customer engagement, and branding. In addition, players' ability to achieve profitability is also affected by raw material price fluctuations, product pricing capabilities, inventory turnovers, among other factors.

Leveraging the rapid development in battery technology and the expected growth in the overall market demand, however, players in China's power battery industry who have (i) made sufficient upfront investments in R&D and manufacturing capacities; (ii) established sizeable OEM customer base, especially those with exclusive supply arrangements; and (iii) possessed the ability to ramp up utilization of manufacturing facilities with overall utilization rate of over 60% are well positioned to achieve profitability and maintain sustainable development in the long run.

**Future Growth in Market Demand**

The market demand in the global EV battery industry has experienced rapid growth. According to Frost & Sullivan, the global EV battery market experienced steady growth in installation capacity in recent years, and is expected to further grow from 900.2 GWh in 2024 to 3,564.5 GWh in 2029, representing a CAGR of 31.7%. In China, EV battery installation capacity is expected to grow from 549.9 GWh in 2024 to 1,961.4 GWh in 2029, representing a CAGR of 29.0%. In particular, PHEV sales volume grew from 1.0 million units in 2020 to 6.8 million units in 2024, representing a CAGR of 62.4%, higher than any other type of EVs, and is expected to further grow to 18.6 million units in 2029, representing a CAGR of 22.1%. The global installation capacity of EV battery systems increased from 141.5 GWh in 2020 to 900.2 GWh in 2024, representing a CAGR of 58.8%, and is expected to further grow to 3,564.5 GWh in 2029, representing a CAGR of 31.7%. The power battery industry, in which we operate, enjoys significant room for growth; and we believe industry leaders who can stay ahead of the increasingly intense market competition are well positioned to achieve growth in sales, profitability and sustainable development.

**Our Historical Results of Operations**

During the Track Record Period, we experienced rapid revenue growth. Our revenue was RMB1,499.3 million, RMB3,290.3 million, RMB4,161.7 million and RMB5,130.3 million in 2021, 2022, 2023 and 2024, respectively, representing a CAGR of 50.7%. Our revenue grew from RMB4,161.7 million in 2023 to RMB5,130.3 million in 2024, representing a growth rate of 23.3%. We also maintained a healthy cash flow sufficiency: our cash and cash equivalent also experienced stable growth during the Track Recorded Period, increasing from RMB767.4 million as of December 31, 2021 to RMB936.2 million as of December 31, 2022, and further to RMB2,034.3 million and RMB2,199.1 million as of December 31, 2023 and 2024, respectively.

We recorded a net profit in 2024. Our gross profit was RMB30.2 million, RMB208.5 million, and RMB748.4 million in 2021, 2023 and 2024, and our gross loss was RMB290.3 million in 2022. Our net loss was RMB402.3 million, RMB1,720.0 million, RMB589.9 million in 2021, 2022 and 2023, respectively. Our net profit was RMB91.0 million in 2024.

Our net loss position during the first three years of the Track Record Period was primarily due to the following reasons:

***Significant Investment in Technology and Product Development***

It is a key growth driver for our business operations to develop battery technology that suits industry development trends and customer preferences. To that end, we must invest significant resources on technological innovation and product development. As of the Latest Practicable Date, our investment in battery products for sea and air use cases have not yet led to mass commercialization. We have also established the forward-looking "5-3-1" R&D strategy, aiming to plan for new electrochemistries and advanced materials five years ahead, establish technology platforms three years ahead, and develop market-ready products one year ahead. Specifically, we have initiated R&D projects on ultra-rapid charging technologies, solid-state electrolyte surface modification technology on ultra-high nickel cathode materials and the solid-state electrolyte hybrid separator technologies. We also have a portfolio of battery products, such as our PHEV battery systems, aeronautical batteries, among other products under development. We expect to explore the relevant markets and further commercialize these products to improve our results of operations.

In 2021, 2022, 2023 and 2024, our research and development expenses was RMB221.0 million, RMB329.3 million, RMB424.1 million, and RMB556.2 million, respectively, accounting for 14.7%, 10.0%, 10.2%, and 10.8% of our total revenue during the same years, respectively. The decrease in the research and development expenses as a percentage of total revenue in 2022 was primarily due to the increase in the total revenue. Meanwhile, the size of our R&D team also grew significantly from 632 as of December 31, 2021 to 1,060 as of December 31, 2024. The increase in research and development expenses over total revenue increased slightly from 2023 to 2024 was primarily due to an increase in staff compensation in relation to research and development and an increase in depreciation and amortization. See "Financial Information—Significant factors affecting our financial condition and results of operations—Specific factors affecting our results of operations—Seasonality" for details.

***Manufacturing Capacity Still under Expansion***

Our future growth and profitability depend on our ability to expand our manufacturing capacity to meet the continuously increasing market demand. Starting 2021, we adopted a demand-driven manufacturing capacity expansion strategy to avoid excessive manufacturing capacity while timely satisfying customer demand. As of the Latest Practicable Date, however, we are still actively expanding our manufacturing capacity, which has yet to achieve optimal economies of scale at the current size. In 2021, 2022, 2023 and 2024, our total manufacturing capacity (including battery cells, modules and packs) reached 6.4 GWh, 8.5 GWh, 17.3 GWh and 23.9 GWh, respectively. Such expanding manufacturing capacity requires substantial and continuous capitalized spending, which leads to significant depreciation and amortization that drives up our unit product costs. Typically, the ramp-up process of a newly constructed battery manufacturing facility takes approximately four months, during which time the equipment and manufacturing lines need to be configured to work in sync, and testing and other measures must be undertaken to lower manufacturing costs. Thus, our expanding manufacturing capacity negatively affects our gross margin, especially at the early ramp-up stage when the fixed depreciation and amortization is allocated to a relatively small amount of product output. In 2021, 2022, 2023 and 2024, our cost of sales of goods as a percentage of total revenue was 93.0%, 91.2%, 88.2%, and 84.3%, respectively. The decreasing trend during the Track Record Period was primarily due to our efforts to reduce costs on raw materials, improve manufacturing efficiency, and optimize operational management. However, we expect further improvement in our gross margin position as our manufacturing facilities are further ramped-up. For example, the phase II of our Changshu Zenergy facility was put into production in 2023, and completed the ramp-up stage by the end of 2024.

We have adopted various measures to improve our manufacturing efficiency, including new manufacturing techniques, installation of advanced equipment, and demand-driven manufacturing capacity expansion strategy. Since 2021, when we began constructing our manufacturing facilities, we have adopted predictive manufacturing equipment design and flexible and intelligent manufacturing technique design. The time to convert a manufacturing line to produce at full capacity for those battery products of the same dimension to a different electrochemistry could reach as short as three days, and the time to convert a manufacturing line to produce at full capacity for those battery products of different dimensions could reach as short as 50 days. Our battery cell manufacturing facilities contribute to precise manufacturing capacity management in response to changes in market demand. Our visual inspection technology powered by AI can inspect product quality without human interference in order to reduce damage to bare cells. These manufacturing related technologies help us reduce manufacturing cost and increase overall capacity utilization rate, which we believe helps us reduce our overhead costs and improve our profitability.

***Product Mix and Pricing Strategy***

The ability to negotiate for premium pricing for our products requires a high level of trust and dependence by customers, which take time to build. Because we are still in the early stage of new product launches and forming a competitive product portfolio, we may not enjoy bargaining power that is as strong as some of our more established peers who have more advanced product mix, longer sales relationships with their customers and have achieved higher economies of scale.

To improve our pricing capabilities, we have devoted significant efforts in improving product quality, technology innovation and customer service capabilities. We have received recognitions from several leading OEM customers in China. Leveraging the quality and performance of our key products, we have become the primary supplier for many OEM customers, such as FAW Hongqi, Leap Motor, and SAIC-GM Wuling. Going forward, we intend to further improve our product quality and performance and develop more advanced technologies, which we believe contributes to higher pricing capabilities and more favorable profitability position. We also seek to improve customer stickiness by forecasting industry trends and develop our capabilities in more electrochemistry pathways and application scenarios. We believe improved customer stickiness helps us better understand customer needs and offer more customized battery solutions, as well as obtain more design-wins and stable sources of revenue.

***One-off Impact by an OEM Customer***

In November 2022, we ceased delivery of NCM battery products for application in BEVs to WM Customer due to the WM Customer Incident. NCM batteries were the only products we sold to WM Customer. As a result, our sales volume of NCM batteries decreased from 2.9 GWh in 2022 to 1.5 GWh in 2023, and our revenue from the sales of NCM batteries decreased from RMB2,628.6 million in 2022 to RMB1,448.0 million in 2023. It takes a certain amount of time for us to develop business relationships with new customers, obtain design-wins, and ramp up mass production. Therefore, even though sales and delivery to WM Customer terminated in 2022, sales in 2023 was also adversely affected because we could not immediately make up for the purchase orders volume that would have been delivered and sold to WM Customer had WM Customer Incident not occurred.

The WM Customer incident also led to an RMB422.3 million of impairment losses on our inventories in 2022, which materially adversely affected our cost of sales, gross loss margin and overall results of operations in the same year. The inventories manufactured for WM Customer were subsequently disposed as down-grade product at lower prices in 2023. The Nanjing Zenergy Facility where products for WM Customer were produced ceased substantial production in December 2022. For more details about the changes in business plans of Nanjing Zenergy, please see "—Manufacturing—Manufacturing Base."

We also recorded an RMB601.4 million impairment in trade receivables in 2022 which was due from WM Customer as a result of the WM Customer Incident pursuant to the relevant accounting policies, judgments and estimates under IFRS, which significantly increased our impairment losses on financial assets and contract assets, net in 2022, and materially adversely affected our results of operations for the same year and our trade receivable balance and financial position as of December 31, 2022. The aggregate impairment in trade receivables and inventories in 2022 arising from the WM Customer Incident was RMB1,023.6 million.

However, we believe such impact was one-off in nature. We have since obtained new customers with demand that improves the utilization rate of our manufacturing capacity. In the second half of 2023, our overall utilization rate for the relevant manufacturing lines has recovered to 82.3%. Meanwhile, we have also enhanced our internal control procedures on customer credit approval when establishing sales relationships with potential customers, focusing on their creditworthiness to avoid future occurrence of such incidents. We conduct background search on our customers and suppliers during their onboarding process, including searches on their amount of registered capital, payment of registered capital, operational scope, litigation records, credit record, and other noncompliance with laws and regulations. This is to reduce the risks of our cooperating partners being involved in existing operational difficulties or other adverse conditions. As of the Latest Practicable Date, there was no incident similar to the WM Customer Incident in the course of our operations.

***Fluctuation in Raw Material Prices***

Raw material costs, in particular the lithium carbonate prices, account for the largest portion of overall cost of power batteries. In 2021, 2022, 2023 and 2024, cost of raw materials accounted for 77.7%, 71.7%, 73.8% and 74.6% of our total cost of sales, respectively, and 76.1%, 78.0%, 70.1%, and 63.7% of our revenue, respectively. According to Frost & Sullivan, major raw materials for power batteries experienced a hike in prices in 2022. Thereafter, due to mining of further lithium mineral resources and improvement in refinery techniques, the supply of lithium related raw materials increased, which led to a decrease in raw material prices in 2023 and 2024. The average selling price for lithium carbonate increased from RMB131,100 per ton in 2021 to RMB496,100 per ton in 2022, and then declined to RMB258,700 per ton in 2023. In 2024, the average price of lithium carbonate decreased to RMB90,510.7 per ton. This led to a corresponding fluctuation in the average industry-wide selling price of LFP batteries from RMB0.51 per Wh in 2021 up to RMB0.80 per Wh in 2022, down to RMB0.62 per Wh in 2023 and down to RMB0.37 per Wh in 2024. Material declines in raw material prices during the Track Record Period also negatively affected our results of operations, leading to an impairment losses on inventories of RMB282.4 million in 2023 and RMB55.4 million in 2024.

**Path to Profitability**

In light of the above background to our historical results of operations, we recorded a net loss in 2021, 2022, and 2023 of our Track Record Period. However, we recorded a net profit in 2024. The turnaround to profitability in 2024 is primarily attributable to the following improvements in our operations and financial performance:

- ***Increased production capacity, higher utilization rate, and improved profitability.*** Following a significant increase in orders received in 2024, we experienced strong demand growth. To meet this rising demand, on top of the gradual completion of the new energy phase II of Changshu Zenergy in late 2023, we continued to undergo testing and adjustments throughout 2024, adding 15.6 GWh of total production capacity. As a result, most of our production lines moved beyond the ramp-up phase after September 2024, achieving higher levels of mass production. This progress has enabled us to significantly increase both production capacity and utilization rates in 2024. The expansion subsequently allowed us to accept and fulfill more orders in 2024, driving an increase in our sales volume of power battery products from 5.91 GWh in 2023 to 11.31 GWh in 2024. The increase in scale and operational efficiency has led to lower average manufacturing costs, resulting in economies of scale and a substantial improvement in gross profit and profit margins. During the Track Record Period, raw material prices for lithium carbonate showed a declining trend but have stabilized since August 2024. According to Frost & Sullivan, the average raw material price for lithium carbonate in January 2023 was RMB485.1 thousand per ton, which decreased to RMB309.7 thousand per ton, RMB108.8 thousand per ton, and RMB97.4 thousand per ton in June 2023, December 2023, and June 2024, respectively. It further decreased to RMB77.0 thousand per ton in August 2024 and remained stable thereafter.

- ***Declines in raw material costs.*** In line with the industry trend, the raw material costs in particular costs for lithium carbonate for NCM and LFP battery products continue to reduce throughout 2024. The average cost of raw materials in 2024 was RMB0.26 per Wh, compared to RMB0.38 per Wh in 2023. However, the decrease of raw material prices in 2024 was not as significant as that in 2023, and therefore we recorded a substantial reduction in impairment losses on inventories.

- ***Growth in share of profits of joint venture and other income.*** We recorded an share of profits from STAES in 2024, reflecting its strong operational performance and the full-year recognition of our 50% equity interest acquired in late 2023. Additionally, our other income and gains rose in 2024 due to significant increase in government grants in 2024, primarily from value-added tax credit policies for advanced manufacturing enterprises. For details about our financial performance in 2024, see "Financial Information—Year-to-year Comparison of Results of Operations—Year Ended December 31, 2024 Compared to Year Ended December 31, 2023."

Meanwhile, we intend to adopt the following measures to maintain our net profit position in 2025.

***Further Increase Sales Revenue***

The demand for power batteries globally is expected to continue to expand, driven by the growth in the global EV industry. To capture such expanding market, we intend to further develop our product portfolio covering more application scenarios. We also intend to improve our product mix, dedicating the sales of products that enjoy higher gross margin. We plan to actively expand our customer base for our various products, and we have devoted significant efforts in the R&D of our core battery technologies. These products include BEV and EREV products in form of battery packs, which offer higher margins due to their higher value added, as well as PHEV products. PHEV battery cells have higher per unit prices by KWh due to their smaller capacity and higher power requirements, and projects often include complete battery packs. The pricing of the pack component is also relatively stable and less affected by market fluctuations.

Specifically, we intend to adopt the following approaches:

- *EV batteries*. We plan to cover more vehicle types with different driving ranges and fuel sources, including BEV, PHEV and EREV. We plan to solidify and deepen our cooperation with existing OEM customers to obtain design-wins in more of their vehicle types and models. We have established a large and high-quality customer base, consisting of several leading companies in the automotive industry. Our EV battery customers include large state-owned enterprises, pure-play EV companies in China, and multi-national OEMs. We have also established sales relationships with respect to several key battery products with OEMs such as GAC-Toyota, SAIC-GM, SAIC-GM Wuling, Leap Motor, FAW Hongqi, GAC Trumpchi, and Dongfeng Peugeot Citroën, among other leaders in the global EV industry. We also plan to expand our customer base to serve more industry-leading OEMs. As of the Latest Practicable Date, we had obtained 48 design-win projects of EV batteries covering 29 product types, including 16 PHEV battery products. We expect over 19 of these design-wins to enter into mass production and delivery in 2025, among which 9 are related to PHEV models.

- *Aviation batteries.* Riding on the industry and policy tailwind of low-altitude application scenarios, we are actively working with many domestic and overseas eVTOL companies on aviation battery testing, and have started small-scale sales of sample products to certain internationally renowned customers. We plan to establish further cooperation, including mass production and delivery of aviation batteries, with more industry-leading eVTOL companies worldwide.

- *Marine batteries*. We have established connections and cooperation with various potential customers of our marine ESS battery products, such as Deye Holdings. We intend to expand our customer base for marine ESS battery products. We have established cooperation with a customer in Singapore, and expect to further expand our customer base for our marine ESS battery products.

We plan to actively expand our overseas customer base for our various products. Specifically, we intend to continue to focus on BEV and PHEV (including EREV) batteries, and continue to adopt standardized battery cells and platformed battery packs, and differentiate their performance with diversified electrochemistries. In terms of pricing, we plan to achieve premium pricing for our products, especially PHEV (including EREV) batteries, leveraging their distinguished performance compared to our peers. We also intend to explore the potential synergy between power batteries and ESS products to expand the application scenarios of our standardized products. During the Track Record Period, our efforts in product and technology R&D has contributed to our ability to obtain design-wins and realize revenue growth.

We believe we have several distinguished technologies embedded in our products and product pipelines, which provide us competitive edges and enable us to effectively compete against our peers, and contribute to our future revenue growth. For example, these edges include battery products that are easier to dissemble, repair, and recycle, have more optimal volume utilization rate, capacity, power, stability, security and durability. Examples are as follows:

- *Universe series.* Although we have not commenced mass production, we have completed the development of Universe series and already produced samples. In response to high repair and recycling costs and difficulties in battery cell disassembling, we developed our Universe series BEV battery pack which adopts a pioneering tenon-and-mortise assembly technology in lieu of the traditional laser welding and structural adhesive bonding technology, which makes our cells easy to assemble, disassemble and repair. Most battery cell products in the market are electrically connected by busbar laser welding, and the cells are fixed in the battery modules with structural glue to ensure a high degree of integration. However, this approach makes it highly inconvenient to disassemble the battery cells. If issues arise for one or more battery cells in the battery pack, due to the challenges of disassembling the cells from the pack, the whole pack often need to be replaced to resolve the issue. To resolve this, we adopted technologies that replace the traditional laser welding and structural adhesive bonding, which enable customers to replace only the battery cells that have issues without having to replace the whole pack, which greatly enhance the convenience of after-sales maintenance. Our Universe series BEV battery pack enjoys an energy density up to 260 Wh/kg, and can reach 70% SOC in as fast as seven minutes. As of December 31, 2024, our Universe series have more than 90 patents and patent applications.

- *Loong series.* Although we have not commenced mass production, we have completed the development of Loong series and already produced samples. Our Loong series encompass technologies which enable it to achieve improved volume utilization rate, battery cell capacity and fast-charging capabilities. Our Loong series adopts the large cylindrical battery shape, and pioneered the same-side tab technology, employing a multi-tab winding structure that places both the positive and negative tabs on the same side of the jelly roll, which led to a 3% improvement in volume utilization rate. This requires high manufacturing precision, because if the thickness of cathode and anode plates are not consistent, the tabs may misalign. To that end, we developed an equipment which can perform both die cutting and winding and can monitor tab misalignment and adjust in real time in order to ensure the effectiveness of the same-side tab design. Such technologies enable Loong series to achieve a capacity of 170 kWh, which was one of the largest among passenger vehicle batteries as of December 31, 2024, and can support 1,000 km in driving range for MPVs. Our Loong series BEV battery pack enjoys an energy density of 306 Wh/kg and reaches 70% SOC from 10% SOC within nine minutes. Because the same-side tab technology can effectively reduce the electrotransmission pathway, the power resistance of our cylindrical battery cells is also relatively lower. Coupled with heat management system, our cylindrical battery cells can achieve 4C fast charging. As of December 31, 2024, our Loong series have more than 60 patents and patent applications.

  To improve the thermal stability of our product, we developed the dual-level semi-solid technology, which encompass the solid electrolyte surface modification technology and solid electrolyte composite separator technology. Such dual-level semi-solid technology increases the initial temperature at which battery cells experience failure by 10°C, and reduces the maximum temperature after failure by 150°C. In addition to improved safety, the dual-level semi-solid technology also improves the power performance of batteries: battery power at -20°C environment is increased by 20%.

- *Sodium-ion batteries.* We have also developed technologies on battery cell materials (such as polyanion-type electrode materials for sodium-ion batteries) to improve battery power, stability, security and durability. In addition to R&D on layered oxides, which is a more prevailing field of interest in China, we have also heavily invested in polyanion system, as polyanion materials have a high ion diffusion coefficient which are suitable for high-power applications. In addition, their crystal structure is relatively stable, highly secure, and durable. We are developing a 15Ah sodium-ion battery product with high power (designed voltage of 3.6V), high discharge rate (20C discharge capacity maintenance rate of over 94%), and high durability (cycle life of over 3,000 cycles). We expect to deploy such products for PHEV and ESS applications. As of December 31, 2024, our sodium-ion batteries have more than 81 patents and patent applications. As of the Latest Practicable Date, we had established R&D cooperation with a customer in France regarding our sodium-ion batteries, and had begun sales of sample sodium-ion products to such customer.

- *Aviation batteries.* Our aviation battery products are designed to achieve energy density of 320Wh/kg with fast charging time of 15 minutes from 10% to 80% SOC, and reach 12C discharge rate at 20% power level. At the system level, we adopted the thermal separation design to avoid heat dissipation of aviation battery packs and to satisfy aviation safety standards. We are the first power battery company to obtain the AS9100D certification for aviation and space quality management systems and one of the first leaders in the low-altitude economy in Suzhou. As of December 31, 2024, our aviation batteries have more than 90 patents and patent applications.

In addition to our product development capabilities, we have also devoted significant efforts in the R&D of the following core battery technologies, which we believe will further enhance the performance and competitiveness of our future products and drive our sustainable growth.

- *Long life battery technology*. We improve the monomer space utilization rate and full-life-cycle reliability through nano-injection molding of the top cover, thus significantly improving air tightness of two orders of magnitude. This extends the expected life of ESS products to as long as 20 years, thus satisfying the market demand for ultra-long life cycles for ESS products. The traditional sealing ring technology uses fluorine rubber rings to achieve sealing. Fluorine rubber rings are mostly imported at high costs, and supply is often unstable. The nano-injection molding sealing technology removes the fluorine rubber ring used in the traditional battery core pole seal, and instead adopts the nano-injection molding process to realize the integral molding of the cover plate-pole-upper plastic, ensuring the structural strength and air tightness at the electrode, and reducing the cost while improving the sealing and reliability of the product.

- *Battery safety technology.* In terms of manufacturing techniques, we developed the hybrid blue laser welding technology, which greatly reduces the risk of battery short circuits caused by welding slag. We have also developed new designs of battery cell structural component. The battery cell is prone to the tab redundancy during assembly, and the tabs are reversely inserted into the jelly roll, resulting in an internal short circuit, leading to a large pressure difference in the battery product, and even short-circuit and thermal runaway. Through our own innovative wing cap technology, we press and mold the tab, which can solve the safety problem of short circuit inside the battery cell due to the reverse insertion of the tab. In addition to the above functions, the wing cap technology also physically isolates the internal laser welding area of the battery cell from the jelly roll area, thus preventing welding residues from falling into the interior of the jelly roll and further improving the safety of the battery cell.

Our R&D capabilities have already attracted several design-wins which are expected to convert to mass production and revenue growth in the near future. For example, we developed the standardized 72Ah PHEV battery cell with energy density of 225Wh/kg, maximum discharge rate of 10C, and cycle life of up to 4,000 cycles. These technology features helped attract design-win for three vehicle models of GAC-Trumpchi (covering mid- to large-sized SUV, mid-sized MPV and mid- to large-sized MPV). As of the Latest Practicable Date, such design-win has converted into revenue of approximately RMB2,096.6 million. In addition, our standardized LFP 104Ah BEV battery cells achieve an energy density of 390Wh/L, 1.2C fast charging, and cycle life up to 7,000 cycles. We also introduced two upgraded versions of this product, namely the 104Ah (2.2C fast charging) and 114Ah (2.2C fast charging). As of the Latest Practicable Date, such features have attracted design-wins that have converted into revenue of approximately RMB3,455.3 million. The LFP 104Ah product also obtained design-win for ESS use, which has converted into revenue of approximately RMB181.5 million as of the Latest Practicable Date. We also developed the LFP 70Ah PHEV battery cell with energy density of 180 Wh/kg, cycle life of 3,300 cycles, and 10% to 80% state of charge fast charging time of 33 minutes. Such performance enables a CLTC driving range of over 1,300 km. Leveraging its superior performance, our LFP 70Ah product was selected by a multi-national OEM customer. This design-win has also led to a cumulative sales revenue of RMB564.9 million as of December 31, 2024. We have established collaboration with SAIC-GM Wuling where our battery products had been installed in the vehicles exported to India and Indonesia. We have also been selected by a pure-play EV company in China to provide batteries for one of their exported vehicle models. We have successfully completed business with a Company in Germany for the supply of our electrodes. We plan to further explore other overseas opportunities and grow our global customer base, either through direct sales relationships with overseas OEMs, or through cooperation with domestic OEMs on exported vehicles.

***Enhance Cost Management***

We cooperate with OEMs to redefine the approach to product development by adopting standardized battery cells and platformed battery packs, and differentiate their performance with diversified electrochemistries, which enable more efficient and low-cost integration of our products into their different vehicle models. This approach also lowers our R&D and manufacturing costs. The manufacturing of battery cells of the same configuration and size but different electrochemistries requires only one set of molds, thus reducing cost of product development.

For example, through improvement in manufacturing equipment performance and manufacturing techniques, we were able to improve the manufacturing capacity to 14,000 battery cells per day, compared to the standard approximately 12,500 battery cells per day baseline manufacturing capacity for the same manufacturing line. Such increase in unit manufacturing capacity contributes to a decrease in unit product costs considering that the allocated overhead costs remain the same for the manufacturing line. For illustrative purpose only, if the total fixed overhead allocated to such manufacturing line is RMB3.0 million, then the above improvement in manufacturing capacity would reduce per-unit overhead from RMB240.0 to RMB214.3. The decrease in unit cost of sales in turn leads to an increase in gross profitability for our products.

Our software-defined manufacturing facilities are also highly flexible. Through the adoption of predictive equipment design and flexible and intelligent manufacturing technique design, we effectively shortened the amount of time to convert a manufacturing line to manufacture different product types (such as from EV batteries to ESS batteries, from NCM batteries to LFP batteries, and from BEV batteries to PHEV, EREV and/or HEV batteries) with relatively low conversion costs and time. We believe the above measures effectively enhance the utilization rate of our manufacturing facilities and improve our profitability. We also plan to deepen our collaboration with key customers to increase per-customer and per-battery-type manufacturing volume, which effectively reduce the initial set-up and manufacturing line re-tooling time and costs. Specifically, we intend to focus our business development on vehicle models with the most strategic value and growth potential for the OEMs. We also plan to further enhance our efforts on standardized battery cell and platformed battery pack in order to integrate our products on more vehicle models while reducing the number of times we have to convert manufacturing lines. We also plan to further align our planned manufacturing capacity with customers' projected growth and demand for our products in order to improve manufacturing facility utilization rate and reduce product unit cost. Thus, we aim to improve our manufacturing process, explore the optimal manufacturing line set-up, and improve flexibility of manufacturing speed of each manufacturing line, in order to improve overall manufacturing efficiency and lower unit cost. The time to convert a manufacturing line to produce at full capacity for those battery products of the same dimension to a different electrochemistry could reach as short as three days with a cost of approximately RMB62.2 thousand for each conversion; while the time to convert a manufacturing line to produce at full capacity for those battery products of different dimensions could reach as short as 50 days with a cost of approximately RMB1.7 million to RMB2.2 million.

Through AI deep learning and edge computing technologies, we have equipped our manufacturing lines with a high level of intelligence. Our AI-based visual inspection technology can inspect product quality without human interference in order to reduce damage to bare cells. Our AI edge computing technology enables us to build a comprehensive coating-pressing-winding quality control system, which helps us to timely analyze and adjust equipment operating data and parameters throughout the manufacturing process to improve efficiency and quality. Aided by these technologies and our accumulated manufacturing experience as we further scale up, we believe we are well positioned to lower per-unit manufacturing time, labor input and energy consumption, enabling us to reduce unit cost and realize economies of scale.

We currently do not expect to enter into a long-term supply agreement with any of our suppliers for raw materials in the near-term based on our evaluation of competitive market prices and ample raw material supply. Subject to our actual business needs, we may in the future plan to manage our raw material procurement cost by entering into long-term supply agreements or strategic cooperation with suppliers with respect to raw materials whose prices are subject to large fluctuations, in which we plan to include provision on procurement price linkage mechanism to keep our procurement cost in line with the public market prices. We believe this helps us reduce exposure to material adverse changes in raw material prices. Meanwhile, strengthening the relationships with our suppliers also helps us obtain stable supply and favorable pricing.

We also intend to strengthen our internal control throughout our entire organization to ensure that all spending are made pursuant to preapproved budgets and to avoid excessive and unnecessary spending.

***Economies of Scale***

We believe as we continue to expand our overall business scale, we are positioned to capture growing economies of scale as fixed costs and operating expenses will be allocated by the increasing sales volume, thus lowering our unit cost and improving our profitability. Particularly, we expect to develop and launch new diverse battery products for use under more application scenarios. We believe the launch, mass production and delivery of an increasingly rich product portfolio is expected to drive significant expansion in our business scale.

Besides expansion in business scale, we expect operating expenses, including selling and marketing, administrative and R&D expenses, to account for a decreasing percentage of our revenue. For example, our operating expenses was RMB368.6 million, RMB590.2 million, RMB741.2 million and RMB893.4 million in 2021, 2022, 2023 and 2024, accounting for approximately 24.6%, 17.9%, 17.8% and 17.4% of our total revenue during the same years. Specifically, our selling and marketing expenses were RMB12.8 million, RMB19.8 million and RMB57.6 million and RMB35.8 million in 2021, 2022, 2023 and 2024, accounting for 0.9%, 0.6%, 1.4% and 0.7% of our total revenue during the same years, respectively. The increase in selling and marketing expenses both in absolute amount and as a percentage of total revenue in 2023 was primarily due to an increase in headcounts of our selling and marketing personnel, our efforts to promote our brand image, attend trade shows and explore sales opportunities in overseas markets. Our administrative expenses were RMB134.7 million, RMB241.1 million, RMB259.5 million and RMB301.5 million, accounting for 9.0%, 7.3%, 6.2% and 5.9% of our total revenue during the same years, respectively. Our research and development expenses were RMB221.0 million, RMB329.3 million, RMB424.1 million and RMB556.2 million, accounting for 14.7%, 10.0%, 10.2% and 10.8% of our total revenue during the same years, respectively. From 2021 to 2023, with the exception of selling and marketing expenses from 2022 to 2023 as explained above and research and development expenses from 2022 to 2023 (which was relatively insignificant from 10.0% to 10.2%), each of our operating expenses and our total operating expenses as percentages of revenue exhibited a general downward trend. Our operating expenses were RMB893.4 million in 2024, accounting for approximately 17.4% of our total revenue during the same year.

An expansion of our business scale as reflected by revenue driven by launch and mass production of new products, plus a decrease in operating expenses as a percentage of revenue, is expected to lead to further improvements in our profits and profitability position.

***Joint Venture with Toyota***

STAES is the primary battery pack supplier for major OEMs that are joint ventures with Toyota in China. We intend to further leverage such close relationships to explore other business opportunities.

We hold a 50% equity interest in the joint venture with Toyota, namely STAES, which primarily focuses on the development and manufacturing of Lithium-Ion and Ni-MH battery packs for sale to major OEMs that are joint ventures with Toyota in China, with solid profitability and promising prospects. We were responsible for 50% of the total capital contribution to the joint venture, and Toyota was responsible for the other 50% through several of its related entities. Toyota entities also contributed the usage right of "Toyota" brand name, trademarks, as well as certain technology materials, trainings, personnel, know-hows, and related consulting services to the joint venture. We are entitled to a profit-sharing percentage of 50% of the distributable profits (if any after deducting statutory reserves, past losses, taxes and fees, and as determined fit by the board of STAES) based on our paid-in capital contribution into the joint venture. In the one month ended December 31, 2023 and the year ended December 31, 2024, STAES recognized revenue of RMB657.0 million and RMB6,665.3 million, respectively, contributing to investment return for our Group.

Due to the abovementioned profit sharing arrangement with our joint venture, we believe STAES's business success also contributes to our overall growth. In 2024, STAES enjoyed a market share of over 70% in terms of installation capacity of HEV battery packs in China, according to Frost & Sullivan. This market share is expected to further increase, driven by policies and industry standards that favor the wider adoption of HEVs over ICEs. In June 2024, the MIIT introduced amendment proposal to its GB 19578-2021 standards on passenger vehicle carbon emission, which, if adopted, will take effect in 2026, and is expected to further phase out ICEs from the market. Within Toyota itself, HEV sales as a percentage of its total sales was

31% in 2023. In addition to the significant growth potential in HEV product enjoyed by STAES, our joint venture with Toyota also positions us to establish deeper relationships with Toyota and to explore business opportunities on BEV and PHEV battery products, and residential ESS batteries. As of the Latest Practicable Date, we have entered into several BEV battery product development projects with GAC-Toyota. We believe STAES's capabilities in HEV battery products complements our capabilities in PHEV products, helping our Group cover a wider range of customer needs and industry opportunities, which we believe will help us achieve sustainable growth and competitiveness.

Despite our net loss position during the first three years of the Track Record Period, we believe our business is sustainable and has sufficient sources of liquidity to support our continued operations and growth, primarily due to (i) expected and continued development of diverse products; (ii) expanding high-quality customer base and diverse overseas business expansion prospects; (iii) enhanced cost control on product development, manufacturing and raw material procurement; (iv) expected economies of scale which we believe to further strengthen as we grow larger in scale; and (v) contribution from joint ventures. We recorded net profit of RMB91.0 million in 2024. As of February 28, 2025, we had unutilized banking facilities of RMB3,228.7 million; in addition, in each of 2022 and 2023, we generated positive cash flow from our operating activities. As such, we believe our liquidity position also supports our sustainable future growth.

## WAREHOUSING, LOGISTICS AND INVENTORY MANAGEMENT

Our inventory management strategy includes the overall consideration of various factors such as anticipated price increases in raw materials and equipment, as well as trends in demand growth. In response to these uncertainties, we implement measures to set safety inventory levels, such as developing inventory policies based on market trends, maintaining high levels of safety inventory for critical raw materials, and establishing stable partnerships with suppliers to ensure timely delivery and stable production. Through effective inventory management and the establishment of safety inventory, we aim to reduce supply chain risks and enhance our ability to respond to market changes.

We utilize a digital management system that covers the entire supply and delivery chain to facilitate coordination and resource allocation among order placement, procurement, manufacturing, transportation, and other processes. We also employ efficient smart logistics system and data system to improve operation efficiency and precise management, and achieve optimal inventory turnover efficiency.

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| **Warehousing** | We utilize an integrated intelligent logistics system and an information platform for smart manufacturing lines to achieve intelligent monitoring of material and finished product quality status, storage environment, precise traceability and operational processes.<br><br>Our WMS (Warehouse Management System) oversees warehouse information, integrating smart warehouse equipment with technologies such as barcodes, RFID and smart sensors. This enables automated material handling based on actual production plans, coupled with material information management, seamlessly integrated with ERP systems for closed-loop warehouse management, significantly reducing storage management costs.<br><br>In addition, our LES (Logistics Execution System) and WCS (Warehouse Control System) coordinate warehouse management, integrating smart logistics equipment with technologies such as visual and laser navigation and indoor positioning for dynamic scheduling, automated distribution and route optimization. This enables intelligent scheduling management of workshop materials, and timely supply of production materials, and greatly enhances material turnover efficiency while tracking the entire process flow of raw materials, work in progress and finished products. |
| **Inventory Control** | Leveraging our information management systems, we calculate optimal inventory standards based on comprehensive production capacity and customer demand. Our data platform monitors and precisely manages the entire process of raw material procurement, production, inventory of work in progress and finished products, and product shipments. |
| **Transportation and Packaging** | Through our product transport management system, we connect inventory information from various checkpoints to monitor the actual logistics distribution process in real time. |

## INFORMATION TECHNOLOGY

We believe that information technology is essential to maintain our competitive position. We utilize a number of information technology systems to manage all aspects of our operations, including but not limited to sales management, material procurement, production, quality control, inventory management, financial reporting and human resources. The following information technology systems are the most critical to our business among our collective integrated information systems:

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| **ERP System (Enterprise Resource Planning System)** . . . | Our ERP system is built on the globally leading SAP ERP platform, customized deeply to fit industry-specific needs. It supports various technical interfaces for efficient interaction with other information systems. The comprehensive and detailed group organizational structure within our ERP system supports our overall operations. The deployment and application of five core modules, namely, FI (Financial Accounting), CO (Controlling), SD (Sales and Distribution), MM (Materials Management), and PP (Production Planning), enable seamless integration of key value chains from sales to financial clearing, procurement to payment clearing, and production control to cost management. Each step in the process is supported by document flows, traceable data flows and real-time correspondence between business documents and financial vouchers, achieving integrated business and financial operations. The ERP system's optimized process design for us ensures quick response to delivery demands, enhancing overall efficiency in sales, procurement, production, financial integration and collaboration. |
| **Manufacturing Operations Management System**. . . . . . . . . . . | Powered by the globally renowned Dassault APRISO manufacturing platform, our manufacturing operations management system serves as a vital platform for intelligized software-defined facilities. The system integrates advanced technologies such as big data analytics, edge computing, AI and IoT, and encompasses multiple advanced management and control subsystems, including MES (Manufacturing Execution System), QMS (Quality Management System), LES (Logistics Execution System), WMS (Warehouse Management System) and EMS (Energy Management System). The superior real-time data collection and intelligent analysis capabilities of our manufacturing operations management system ensure millisecond-level response to vast amounts of data (TPS exceeding 3,100), coupled with graphical and low-code development tools, providing a robust data and software foundation for smart manufacturing, supporting operational improvements and iterations. |

In production execution, our manufacturing operations management system uses real-time data analysis and feedback on a 24/7 basis to provide comprehensive monitoring of key performance indicators. It achieves automation in error-proofing and mistake-proofing of all production factors, including individual, machine, material, method, environment and measurement, through real-time analysis and feedback. For critical process control, it incorporates process modeling, big data, real-time optimization and predictive control technologies to achieve precise, real-time and closed-loop process control, with real-time warnings for process deviations.

In quality control, the short-code, embedded and instruction-based quality control system on the Dassault APRISO platform reversely controls equipment shutdown/alarms and automatically triggers inspections, which ensure detection, containment and resolution of process quality anomalies, while manufacturing quality big data analysis models drive design improvements in R&D quality.

In logistics execution, leveraging the warehouse control system and intelligent logistics equipment, as well as vision/laser navigation and indoor positioning technologies, our manufacturing operations management system achieves dynamic scheduling, automatic delivery and route optimization. Shop floor logistics are managed through work order picking, water-level replenishment, and automatic AGV handling, ensuring timely supply of production materials, greatly enhancing material turnover efficiency, and tracking the entire flow of raw materials, work-in-progress and finished products.

In warehouse management, our manufacturing operations management system integrates a warehouse management system. With barcodes, RFID, and intelligent sensing technologies, it achieves automatic in-and-out warehousing based on actual production operation plans, while managing material information. Combined with ERP documents and vouchers, it creates a closed-loop warehouse management process, significantly reducing warehouse management costs.

In energy management, through comprehensive energy consumption monitoring, efficiency analysis optimization and energy balance scheduling, our manufacturing operations management system achieves refined energy management, improves energy utilization efficiency, and reduces energy costs.

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| **PLM System (Product Lifecycle Management System)** . . . . . . . . . . . | Leveraging the Dassault ENOVIA platform, our PLM system encompasses a comprehensive project management module that covers the entire product development process, which includes product design management modules for material libraries, component libraries, formula libraries, development, packaging and drawings. Additionally, our PLM system features process design modules for BOM, PFMEA, PFC process routes, control plans and process specifications. The PLM system also incorporates a change management module for managing product data changes. Leveraging the integration with our ERP, manufacturing operations management and OA systems, our PLM system enables synchronization of materials and BOMs, issuance of process parameters and cross-system integrated operations for workflow approvals and other business processes. |
| **OA System (Office Automation System)** . | Integrated with DingTalk, our OA system supports and enhances the overall business collaboration efficiency for our Group. Our OA system facilitates group architecture design and fosters cross-departmental and cross-organizational business collaboration, providing an efficient and intelligent working environment. It ensures the execution of company policies through coordinated approvals across departments and companies and the standardized conduct of internal departmental activities. Our OA system also supports the standardized submission of pre-approval forms, process flow approvals and timeout alerts, efficiently supporting various business operations. The high-level API integration of our OA system, EHR and DingTalk systems enables mobile support for work collaboration, allowing employees to handle work matters anytime and anywhere, thus enhancing user satisfaction and work efficiency. |

**SRM System (Supplier Relationship Management System)** . . . . . . . . . . . Our SRM system serves as a platform for collaborative procurement and supply chain management between us and suppliers. Our SRM system is designed with a global and group-wide perspective to comprehensively manage procurement activities and supports global business operations, ensuring seamless coordination and communication throughout the entire procurement process. By integrating data channels across various systems, the SRM system ensures data consistency and accuracy, optimizing data flow and transmission efficiency. It establishes collaborative portals and workflows that engage multiple departments and suppliers, improving overall procurement efficiency. The SRM system includes comprehensive supplier certification requirements, price analysis templates, sourcing scoring compositions and material planning modes based on supplier types and categories. It also enhances centralized procurement by optimizing the catalog of centrally procured materials and increasing centralized procurement rates. The SRM system also encourage supplier competition through various sourcing modes, ensuring the selection of cost-effective and high-quality goods, ultimately achieving cost reduction and efficiency improvements on the supply side.

**HR System (Human Resource System)** . . . Our HR system supports the comprehensive operation of our HR business, which enables unified organization management by updating and interacting with our OA system, DingTalk, IAM (single sign-on), and other systems on a real-time basis, ensuring consistent data flow and efficiency. The HR system provides detailed attendance management, integrating with various attendance hardware and offering flexible scheduling strategies, combined with leave adjustments to meet various attendance needs. Recruitment and contract management are enhanced with features such as resume database, online meetings and integration with E-Signature platforms, making the overall process flexible, convenient and efficient. The API integration with DingTalk allows employees to easily access information on salaries, attendance, meal expenses, dormitory maintenance requests and bill inquiries, which facilitates our employees to retrieve and address their information and any discrepancies promptly.

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| **Zhuoyi (卓蟻) ZOE Zenergy Big Data Intelligence Platform** . . . . . . . . . . | Our proprietary operating platform Zenergy big data intelligence platform is an integral part of our Zhuoyi (卓蟻) ZOE platform, which serves as an intelligent data asset empowerment platform and a "smart brain." It can dynamically integrate, analyze, and intelligently alert data in real-time from various dimensions, including sales, finance, supply chain, production, equipment, processes and quality. Zenergy big data intelligence platform creates a comprehensive visualization and analysis system based on points, lines and surfaces, empowering lean production and cost improvement through data modeling for various business scenarios, which is able to address and enhance issues related to production efficiency, process optimization, cost control and quality management. |

## PROPERTIES

We own and lease certain properties in China primarily to be used as production facilities and offices. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Prospectus 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 requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of December 31, 2024, none of our properties has a carrying amount of 15% or more of our consolidated total assets.

### Owned Land and Properties

As of the Latest Practicable Date, we had the right to use three parcels of land with a total gross land area of approximately 800,189 sq.m. located in China. As of the Latest Practicable Date, we had obtained all relevant land use rights certificates of such three parcels of land in China.

As of the Latest Practicable Date, we owned two properties in Changshu, China, with an aggregate area of approximately 397,573 sq.m. primarily used for industrial purposes.

### Leased Properties

As of the Latest Practicable Date, we had five leased properties in China with a total area of approximately 140,846 sq.m.. The above properties are primarily used for production facilities, offices and industrial and storage purposes. As of the Latest Practicable Date, we have not completed the filing procedure for the lease of two of the leased properties, and have not completed the procedures for change in filing and registration of the lease regarding the expansion part leased later.

## COMPLIANCE AND LEGAL PROCEEDINGS

### Non-compliance Incidents

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

***Social Insurance and Housing Provident Fund***

*Background of Non-compliance*

During the Track Record Period, we did not pay social insurance and housing provident fund in full for some of our employees based on their actual salary level. During the Track Record Period, we used third-party service providers to apply for social insurance registration and housing funds deposit registration and to pay social insurance and housing fund for some of our employees. In 2021, 2022, 2023 and 2024, the number of employees whose social insurance and housing funds were paid through third-party service providers was 19, 30, 18 and 11, and amount of contributions for these employees accounted for approximately 2.7%, 3.0%, 2.4% and 1.2% of our total contribution during the same years, respectively. The difference between actual contribution and the amount of required contribution based on actual salary level of these employees was approximately RMB0.7 million during the Track Record Period. For all of our employees during the Track Record Period, the difference between actual contribution and the amount of required contribution based on actual salary level was approximately RMB15.7 million. We have implemented a series of corrective measures during the Track Record Period. Pursuant to relevant PRC laws and regulations, the relevant PRC authorities may demand the employers to pay the outstanding social insurance contributions within a stipulated timeframe and such employers may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If employers fail to make such payments, they may be liable to a fine of one to three times the amount of the outstanding contributions. With respect to a failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require payment of the outstanding amount within a stipulated timeframe. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

*Reason for Non-compliance*

We were unable to make full social insurance and housing provident fund contributions for some of our employees during the Track Record Period primarily because (i) our labor force is highly mobile, which is consistent with the industry practice, (ii) some of our employees were not willing to bear the amount of full personal contribution to social insurance and housing provident funds according to applicable statutory rates, which would reduce the amount of take-home pay they receive; and (iii) some of our employees are migrant workers are not willing to participate in the social welfare schemes of the city where they work for us because they only intend to temporarily reside in such city and they need to go through additional procedures to transfer their contributions to other cities where they may want to relocate. Specifically, the highly mobile nature of our labor force resulted in our inability to make full contributions, as (i) some employees leave our Group before completing the minimum period required for registration and/or contribution for social insurance and housing provident funds; (ii) some employees do not plan long-term work in the city where they are employed, and are therefore unwilling to reduce their take-home pay to cover their required contributions for social insurance and housing provident funds.

*Risks of the Non-compliance*

As of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident nor had any competent government authorities required us to settle the outstanding amount of social insurance payments and housing provident fund contributions.

In June 2024, we conducted an interview with the head of Changshu Municipal Human Resources and Social Security Bureau (常熟市人力資源和社會保障局) and the payment section chief of Suzhou Housing Provident Fund Management Center (蘇州市住房公積金管理中心) on our compliance with relevant social insurance and housing provident laws and regulations, respectively. In late September and early October 2024 and February 2025, we conducted further interviews with the head of Changshu Municipal Human Resources and Social Security Bureau (常熟市人力資源和社會保障局) and the payment section chief of Suzhou Housing Provident Fund Management Center (蘇州市住房公積金管理中心) on our compliance with relevant social insurance and housing provident laws and regulations, respectively. During the interviews, we obtained confirmations that our Company had not been required to pay any outstanding social insurance or housing provident fund contributions accrued from the start of the Track Record Period to the date of the consultations, and that the risk of making such payment in the future is relatively remote.

We believe the risk of administrative penalties against us for violation of any laws, regulations or rules in relation to social insurance and housing provident fund is relatively low, on the basis that (i) we obtained the confirmations from competent authorities as stated in the previous paragraph; (ii) during the Track Record Period and as of the Latest Practicable Date, our Group had not been subject to any material investigation, inquiry, sanction, penalty, litigation or legal proceedings due to failure of paying the full amount of the social insurance and housing provident fund contributions; and (iii) we intend to, upon the request of the competent authorities, promptly and fully settle any outstanding amounts of our social insurance and housing provident fund contributions and comply with their other instructions, if any.

*Remedial Measures*

We have taken and will continue to take the following remedial measures to comply with the regulatory requirements for social insurance and housing provident fund: (i) in July 2024, we adjusted the payment basis of housing provident fund for all of our employees in full compliance with relevant laws and regulations to avoid any shortfalls and are in the process of communicating with our employees with a view to seek their understanding and cooperation in complying with the applicable payment base for social insurance, which also requires additional contributions from our employees; (ii) we have minimized and will make continuous efforts to minimize the adoption of the third-party service providers to pay social insurance and housing provident fund. As of December 31, 2024, the number of employees whose social insurance and housing funds were paid through third-party service providers was reduced to 11; (iii) we have established an internal control department to monitor our ongoing compliance with the social insurance and housing provident fund contribution regulations and oversee the implementation of any necessary measures; (iv) we will regularly review and monitor the reporting and contributions of social insurance and housing provident fund to keep us abreast of relevant regulatory developments; and (v) we undertake to maintain close communication with relevant authorities on a regular basis to understand their requirements and interpretation of relevant rules and regulations, and make contributions to social insurance and housing provident fund in accordance with their specific guidance in a timely manner.

***Failure to Obtain Certain Permits or Approvals or Complete Certain Acceptance Inspection***

During the Track Record Period, we did not obtain certain permits or approvals or complete the acceptance inspection process or filing procedures for certain of our projects before commencing construction or production, such as the energy-saving review approval, the energy-saving acceptance inspection process, the construction project acceptance process and filing, sewage discharging permit and/or the fire prevention acceptance process and filing for certain of our projects.

Pursuant to relevant PRC laws and regulations, (i) with respect to energy-saving review and acceptance inspection, failure to undergo or pass the energy-saving review may subject us to a fine of up to RMB100,000, and failure to complete the energy-saving acceptance inspection may subject us to a fine ranging from RMB30,000 to RMB50,000. See "Regulatory Overview—Regulations on Energy Conservation;" (ii) with respect to construction project acceptance process and filing, failure to complete the acceptance process may subject us to a fine ranging from 2% to 4% of the project contract price, and failure to file the acceptance report may subject us to a fine ranging from RMB200,000 to RMB500,000. We estimate that the potential maximum aggregate fines that may be imposed to our failure to complete the acceptance process is approximately RMB2.2 million. See "Regulatory Overview—Regulations on Production Safety;" (iii) with respect to sewage discharging permit, failure to obtain such permit may subject us to a fine of up to RMB500,000. See "Regulatory Overview—Regulations on Environmental Protection—Pollution Permit;" (iv) with respect to the fire prevention acceptance process and filing, failure to complete such filing procedures may subject us to a fine of up to RMB5,000. See "Regulatory Overview—Regulations on Fire

Prevention;" (v) with respect to the reporting and filing procedures regarding the change of construction project's legal entity, if such entity fails to conduct the aforementioned reporting and filing procedures for filing information changes, it may be ordered to make rectification within a prescribed time period, and failure to rectify within the specified time may result in a fine ranging from RMB20,000 to RMB50,000.

As of the Latest Practicable Date, we had obtained written confirmation or credit reports from competent authorities that we had not been subject to any administrative penalties during the Track Record Period with regards to energy-saving review, construction project and/or fire prevention.

***Exceeding the Statutory Limit of Dispatched Contract Workers***

According to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) amended on December 28, 2012, which became effective on July 1, 2013, more stringent requirements on labor dispatch were imposed. For example, the number of dispatched contract workers that an employer hires may not exceed a certain percentage of its total number of employees, to be decided by the Ministry of Human Resources and Social Security and the dispatched contract workers may only engage in temporary, auxiliary or substitute work. According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014 (the "Interim Provisions"), the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers).

During the Track Record Period, we engaged third-party employment agencies to dispatch contract workers, and some of our subsidiaries had exceeded the above 10% limit. Pursuant to relevant PRC laws and regulations, if an employer violates regulations related to labor dispatch, the labor administration department will order it to make corrections within a specified period. Failure to make corrections within the given period may lead to a fine ranging from RMB5,000 to RMB10,000 per person. As of the Latest Practicable Date, all of our subsidiaries within our Group had less than 10% of dispatched contract workers.

***Lack of Property Ownership Certificates and Failure to Complete the Required Procedures for Lease Registration***

As of the Latest Practicable Date, the expansion part of one of our leased facilities did not have property ownership certificate, and we did not complete the filing procedure for the lease of two of our leased properties and did not complete the procedures for change in filing and registration of the lease regarding the expansion part leased later. Pursuant to relevant PRC laws and regulations, within 30 days after the conclusion of the lease agreement, the parties involved shall register the lease and if there is any change in the registered lease, the parties involved shall file for a change in the lease registration within 30 days. Failure to comply within the stipulated period may result in a fine ranging from RMB1,000 to RMB10,000 imposed by relevant authorities.

***Failure to Complete Safety and Occupational Health Acceptance***

During the Track Record Period, we did not complete the safety and occupational health assessment, acceptance and filing procedures for certain of our projects before commencement of construction or production.

Pursuant to relevant PRC laws and regulations, (i) failure to complete the design of safety facilities and/or pass the relevant acceptance of design of safety facilities may subject us to a fine ranging from RMB5,000 to RMB30,000, and (ii) failure to complete the occupational health pre-assessment, the design and construction of the occupational disease prevention facilities, occupational disease hazard control effectiveness assessment and/or failure to pass the occupational disease hazard prevention facilities acceptance may subject us to a fine ranging from RMB100,000 to RMB500,000, and failure to arrange the review for effectiveness report, failure to arrange the acceptance of relevant facilities, and/or failure to submit the relevant written report for construction projects with serious occupational disease hazards may subject to a fine ranging from RMB5,000 to RMB30,000. See "Regulatory Overview—Regulations on Production Safety."

We had obtained written confirmation or the credit reports from the competent authorities that we had not been subject to any administrative penalties during the Track Record Period with regards to safety and/or occupational health.

***Failure to Obtain Environmental Approvals***

During the Track Record Period, certain of our facilities commenced construction or production without obtaining the relevant approvals with regards to environmental impact assessment or without completing the environmental protection projects acceptance inspection.

Pursuant to relevant PRC laws and regulations, failure to submit an environmental impact assessment report or form for approval may subject us to a fine ranging from 1% to 5% of the total investment in the project, and failure to complete the construction, acceptance and/or inspection of the environmental protection facilities may subject us to a fine of up to RMB1,000,000, depending on the circumstances. We estimate that the potential maximum fines that may be imposed to our failure to submit an environmental impact assessment report is RMB2.5 million. See "Regulatory Overview—Regulations on Environmental Protection—Construction Projects."

We had obtained official credit reports for our Group which confirm that we were not subject to any administrative penalties with regards to environmental sector during the Track Record Period.

### Legal Proceedings

We may from time to time be involved in contractual disputes or legal proceedings arising out of the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any claims, damages or losses which would have a material adverse effect on our financial position or results of operations as whole. As of the Latest Practicable Date, no material litigation, arbitration or administrative proceedings had been threatened against us. During the Track Record Period, the Company applied for intellectual properties, and applied for re-consideration and filed administrative proceedings with competent authorities in certain application cases where the initial and re-consideration applications were refused by the relevant authorities. Other than the above legal proceedings, we were not involved in any legal proceedings and/or lawsuits or arbitrations relating to intellectual property rights during the Track Record Period and up to the Latest Practicable Date, and our Directors are not aware of any intellectual property infringements, investigations or pending lawsuits as of the Latest Practicable Date.

## LICENSES, PERMITS AND APPROVALS

The following table sets forth a summary of the material licenses, permits and approvals that we have obtained for our business operations as of the Latest Practicable Date.

| Licenses/Permits/Approvals | Issuing Authority | Issue Date | Expiry Date[(1)] |
|---|---|---|---|
| Radiation Safety License (輻射安全許可證) | Suzhou Ecology and Environment Bureau (蘇州市生態環境局) | July 22, 2022 | December 26, 2025 |
| Radiation Safety License (輻射安全許可證) | Nanjing Ecology and Environment Bureau (南京市生態環境局) | September 17, 2022 | September 16, 2027 |
| Pollutant Discharge Permit (排污許可證) | Suzhou Ecology and Environment Bureau (蘇州市生態環境局) | June 24, 2021 | June 23, 2026 |
| Pollutant Discharge Permit (排污許可證) | Suzhou Ecology and Environment Bureau (蘇州市生態環境局) | June 25, 2022 | June 24, 2027 |
| Pollutant Discharge Permit (排污許可證) | Suzhou Ecology and Environment Bureau (蘇州市生態環境局) | June 19, 2023 | June 18, 2028 |
| Pollutant Discharge Permit (排污許可證) | Nanjing Ecology and Environment Bureau (南京市生態環境局) | April 27, 2022 | April 26, 2027 |

| Licenses/Permits/Approvals | Issuing Authority | Issue Date | Expiry Date[1] |
|---|---|---|---|
| Foreign Trade Operators Registration Form (對外貿易經營者備案登記表) . . . . . . . . . . . | Jiangsu Changshu Foreign Trade Operators Registration Authority (江蘇常熟對外貿易經營者備案登記機關) | June 24, 2020 | N/A |
| Foreign Trade Operators Registration Form (對外貿易經營者備案登記表) . . . . . . . . . . | Jiangning Development Zone Foreign Trade Operators Registration Authority (江寧開發區對外貿易經營者備案登記機關) | August 19, 2022 | N/A |
| Foreign Trade Operators Registration Form (對外貿易經營者備案登記表) . . . . . . . . . . | Jiangsu Changshu Foreign Trade Operators Registration Authority (江蘇常熟對外貿易經營者備案登記機關) | October 12, 2019 | N/A |
| Customs Filing Receipt of Consignees and Consigners of Imported and Exported Goods (海關進出口貨物收發貨人備案回執) . . . . . . . | Changshu Custom (常熟海關) | July 12, 2019 | N/A |
| Customs Filing Receipt of Consignees and Consigners of Imported and Exported Goods (海關進出口貨物收發貨人備案回執) . . . . . . . | Jinling Custom (金陵海關) | July 28, 2021 | N/A |
| Customs Filing Receipt of Consignees and Consigners of Imported and Exported Goods (海關進出口貨物收發貨人備案回執) . . . . . . . | Changshu Custom (常熟海關) | January 23, 2017 | N/A |

*Note:*

(1) "N/A" represents licenses that do not have an expiration date and will remain valid unless revoked.

## COMPETITION

As one of the ten largest players in EV battery market in terms of installation capacity, we operate in China's power battery industry, which is highly competitive and concentrated with top ten manufacturers accounting for 95.3% of total installation capacity in 2024. We primarily compete with other EV power battery manufacturers in China, as currently the vast majority of power batteries are used in EVs. With the EV battery installation capacity of 9.9 GWh in 2024, our Group were the 9th largest player among manufacturers of EV battery in China, according to CABIA. Our overall EV battery installation volume growth ranked fourth, our ternary lithium battery installation volume growth ranked third, and our LFP battery installation volume growth ranked fourth among all top 10 players in China in 2024. According to Frost & Sullivan, the overall power battery industry is expected to grow rapidly in sales volume, driven by factors such as the accelerating transportation electrification process, technological advancement in EV batteries, favorable government policies, and continuous cost reductions for EV batteries. The power battery market is also expected to undergo the following trends, such as continued technology innovation and breakthroughs on battery performance, reducing costs, increasing industry concentration, closer collaboration between battery manufacturers and OEMs, increasing importance of flexible manufacturing capacity, increasing diversity of business models, and battery standardization. See "Industry Overview" for more details on our competitive landscape, industry growth drivers and development trends.

We believe we are well positioned to capture the growth trend in China's power battery industry, and further improve our competitive position. We offer a diverse product portfolio, capturing the structural growth opportunity while satisfying different customer needs. Our R&D process is highly forward looking in detecting and mastering the latest technological development in electrochemistries and advanced materials as well as other technologies and product development trends in the industry. Our standardized battery cells and platformed battery pack products effectively lower our R&D and manufacturing costs, and our highly software-driven and intelligent manufacturing capacities enable us to flexibly configure and allocate our manufacturing resources to different products in order to flexibly respond to changes in market demand, enabling us to avoid excessive manufacturing capacities while ensuring sustainable and efficient growth.

We have experienced improved market share and ranking in 2024, which serves as proof of how we are well positioned to achieve further growth in scale and competitiveness. As measured by installation capacity in 2024, we were the 9th largest EV battery manufacturer and held a market share of 1.8% amongst EV battery manufacturers in China, compared to 10th and 1.4% in terms of 2023 installation capacity.

We have a track record of timely adjusting to the latest development trend in China's power battery industry. For example, we strategically decided to focus on developing batteries with LFP electrochemistry system in addition to our established NCM electrochemistry products, and also significantly invested in the development of battery products for PHEV (including EREV) application scenario in addition to BEV application scenarios, driven by our understanding of the development trend in China's EV and power battery industries.

We have established a balanced and sustainable customer base with major customers spanning across state-owned enterprises, pure-play EV companies, and multinational OEMs, and without material reliance on any single customer. According to Frost & Sullivan, in 2023, revenue contribution from top customer for our peers range from approximately 17.3% to 85.2%, while the revenue contribution from our top customer in 2023 was only 28.3%, being near the low end of peers' range. We also enjoy deep and high-quality relationships with our customers, as demonstrated by the series of awards from our customers. Please see "Business—Sales, Marketing and Customers" for more details.

We obtained 48 design-wins as of the Latest Practicable Date, with total planned delivery volume for PHEV batteries alone of over 150 GWh over the next four to five years, according to planned vehicle delivery plans of the OEMs from whom we had obtained design-wins. Such customer relationships as demonstrated by obtained design-wins are expected to help us achieve significant growth in the future and outcompete against our peers.

## AWARDS AND RECOGNITIONS

The following table sets forth some of our recent major awards and achievements.

| Award Year | Award name | Award institution |
|---|---|---|
| 2024 ..... | 2023 China Unicorn Enterprises | Beijing Great Wall Enterprise Strategic Research Institute (北京市長城企業戰略研究所) |
| 2024 ..... | 2024 World Unicorn Enterprises | Beijing Great Wall Enterprise Strategic Research Institute (北京市長城企業戰略研究所) |
| 2024 ..... | 2024 Jiangsu Province Four-Star Cloud Enterprises | Jiangsu Province Department of Industry and Information Technology (江蘇省工業和信息化廳) |
| 2024 ..... | 2024 Suzhou Industrial Design Center of the Year | Suzhou Bureau of Industry and Information Technology (蘇州市工業和信息化局) |
| 2024 ...... | Suzhou City 3A Green Factory | Industry and Information Technology Bureau of Suzhou (蘇州市工業和信息化局) |
| 2024 ...... | Suzhou City Low Altitude Economy Leading Enterprises | Suzhou Municipal People's Government (蘇州市人民政府) |
| 2024 ...... | Suzhou Intellectual Property Protection Center Pre-examiner Practice Base | Intellectual Property Protection Center of Suzhou (蘇州市知識產權保護中心) |
| 2024, 2023 . . | IEC, UL1642, UL1973, GB-T23001-2017, UN38.3 product certification | Technischer überwachungs-Verein (TUV), Societe Generale de Surveillance S.A. (SGS) and China Telecom Hongxin Information Technology Co., Ltd. (中電鴻信信息科技有限公司) |

| Award Year | Award name | Award institution |
|---|---|---|
| 2024, 2022 . . | IATF16949, ISO45001, ISO14001, CNAS system certification | Societe Generale de Surveillance S.A. (SGS) and China National Accreditation Service for Conformity Assessment (CNAS) (中國合格評定國家認可委員會) |
| 2023 . . . . . . | Enterprise of the Year of Future Business King | 36Kr (36氪) |
| 2023 . . . . . . | High-Tech Golden Globe Award — 2023 Rapidly Growing Enterprise | Gaogong Industry Institute Co., Ltd. (GGII) Lithium-Ion Batteries (高工鋰電) |
| 2023 . . . . . . | Top 100 New Energy Storage Brands | EESA (儲能領跑者聯盟) |
| 2023 . . . . . . | Jiangsu Unicorn Enterprises | Productivity Center of Jiangsu Province (江蘇省生產力促進中心) |
| 2023 . . . . . . | Top 150 New Economy Unicorn Enterprises | The Internet Weekly (互聯網週刊) |
| 2023 . . . . . . | Annual Impact Enterprise, Annual Innovation Enterprise | The 7th China Battery Industry "Lithium Summit" Honor Ceremony and the 2023 China Battery Industry Chain Honorary Enterprise Recommendation (第七屆中國電池行業"鋰想"榮譽盛典暨2023中國電池產業鏈榮譽企業推介) |
| 2023 . . . . . . | Outstanding Award for Energy Storage Applications | The SNEC International Energy Storage Exhibition (SNEC國際儲能展) |
| 2023 . . . . . . | Jiangsu Province Private Technology Enterprise | Jiangsu Private Science & Technology Enterprise Association (江蘇省民營科技企業協會) |
| 2023 . . . . . . | Jiangsu Province Three-Star Cloud Enterprise | Industry and Information Technology Department of Jiangsu Province (江蘇省工業和信息化廳) |
| 2023 . . . . . . | Suzhou Municipal Enterprise Technology Center | Suzhou Municipal People's Government (蘇州市人民政府) |
| 2023 . . . . . . | Jiangsu Province High-tech Industrial Development Zone Gazelle Enterprise | Productivity Center of Jiangsu Province (江蘇省生產力促進中心) |
| 2023 . . . . . . | Jiangsu Province Integrated Management System Standardization Demonstration Enterprise for the Integration of Informatization and Industrialization | Industry and Information Technology Department of Jiangsu Province (江蘇省工業和信息化廳) |
| 2023 . . . . . . | Suzhou Municipal Engineering Technology Research Center | Science and Technology Bureau of Suzhou (蘇州市科學技術局) |

| Award Year | Award name | Award institution |
|---|---|---|
| 2023, 2022 . . | China Unicorn Enterprises | Great Wall Enterprise Institute (北京市長城企業戰略研究所) |
| 2022 . . . . . . | Top Ten High-tech Enterprises in Changshu High-tech Zone | Management Committee of Changshu New & Hi-tech Industrial Development Zone (常熟市高新技術產業開發區管理委員會) |
| 2022 . . . . . . | Jiangsu Province Intelligent Manufacturing Demonstration Workshop | Industry and Information Technology Department of Jiangsu Province (江蘇省工業和信息化廳) |
| 2022 . . . . . . | National High-tech Enterprise | State Taxation Administration of the People's Republic of China (國家稅務總局), Taxation Administration of Jiangsu Province (江蘇省稅務局), Science and Technology Department of Jiangsu Province (江蘇省科學技術廳) and Finance Department of Jiangsu Province (江蘇省財政廳) |
| 2022 . . . . . . | Suzhou Municipal Demonstration Intelligent Workshop | Industry and Information Technology Bureau of Suzhou (蘇州市工業和信息化局) |

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Our mission is to build a sustainable energy supply framework for the future world through the development of forward-looking technology covering interconnected land, sea and air application scenarios. Our vision is to join forces with our stakeholders in creating a carbon-neutral society. We recognize environmental, social, and governance ("**ESG**") as an integral part of our core corporate philosophy and integrate ESG in our business operations, with commitment to the new quality productive forces for green energy covering all land, sea, and air application scenarios. By constantly improving battery technology, we provide digital, precise, and efficient new energy solutions for the global Lithium-Ion power and energy storage sectors, creating sustainable value for our stakeholders.

### ESG Governance

We continuously improve our ESG management system. The Board of Directors identifies, assesses, and oversees major ESG matters; deliberates the ESG vision, objectives, management policies, and strategies; and reviews the progress and performance of ESG objectives. We have established an efficient ESG organizational structure with defined responsibilities to provide organizational support for our ESG efforts. A Sustainable Development Commission is in place to identify and assess ESG risks and opportunities; formulate ESG objectives, strategies, management policies, and tactics; and regularly review the progress and performance of ESG matters, aiming to promote the integration of ESG into the Company's day-to-day operations and management. We value stakeholders' expectations and demands and will further improve our ESG governance structure and enhance our ESG management.

**ESG Materiality Assessment and Risk Management**

ESG materiality assessment and the identification and management of ESG-related risks are crucial to the sustainable development. Referring to the Environmental, Social, and Governance Reporting Guide of the Hong Kong Stock Exchange, and considering our business dynamics and industry trends, we have identified material ESG issues and risks through peer benchmarking and stakeholder questionnaires.

- We conducted an industry benchmarking analysis to identify material ESG issues that are relevant to the actual operation of our business.

- We focus on stakeholder expectations on corporate ESG issues, and distribute questionnaires to key internal and external stakeholders, including shareholders and investors, government and regulatory agencies, customers, suppliers and partners, the public, the media and industry associations, and employees, to understand the concerns and opinions of each stakeholder on ESG issues.

- Based on the questionnaire results, we prioritized ESG issues according to their materiality to corporate growth and stakeholders. We have identified highly material ESG issues and integrated them into our ESG strategy and development plan.

The results of our materiality assessment indicate that our ESG priorities include environmental management, employee rights and benefits, product quality and safety, occupational health and safety, energy management, and research and development (R&D) and innovation.

We attach great importance to the impact of climate change on our financial operations and sustainable development. By examining relevant policies and our internal operations, we have identified climate-related risks and opportunities, assessed their potential impact on various aspects of our operations and development, and developed appropriate countermeasures.

- ***Physical risks***. Extreme weather events such as typhoons, heavy rains, and floods caused by global climate change may lead to the depreciation of our fixed assets, loss of labor, or instability in production and personnel. Additionally, sea level rises, climate warming, and other greenhouse effects may increase our production energy consumption, potentially destabilizing our facilities. To address these issues, we have implemented contingency plans and measures for extreme weather conditions (such as high temperatures, extreme cold, floods, and typhoons) and are promoting energy conservation and emission reduction measures to mitigate the impact of physical risks.

- ***Transition risks***. We have identified the transition risks of legal and policy risks, technology risks, market risk, and reputation risk, which may affect our operations and financials in the short to medium term. Stricter government regulations on carbon emissions increase our compliance pressure. The growing demand for cleaner technologies requires us to invest more in R&D and clean energy technologies. Additionally, heightened concern from customers, consumers, and other stakeholders about response to climate change could impact the image and reputation of companies without climate actions. To address these challenges, we focus on developing and implementing energy-efficient, low-emission, and clean technologies. We aim to understand market demands and provide low-carbon products and services through technological innovation, thus ensuring that we can meet both regulatory requirements and consumer expectations.

- ***Potential opportunities***. As sustainability gains more recognition, customers and consumers are increasingly preferring environmentally friendly products and services. Focusing on the core performance of batteries, we independently research cutting-edge technologies in various fields, develop industry-leading feature products, and integrate the concepts of environmental protection and low carbon into our business model and business development. This showcases to stakeholders our action to address climate change and helps us build a responsible corporate image and capture more market opportunities.

As of December 31, 2024, we have not incurred any penalties for violations related to product quality and safety, occupational health and safety, or social and environmental laws and regulations. Furthermore, we have not experienced any significant impacts from environmental, social, or climate-related risks on our business, strategy, and financial performance. Upon listing, we will continue to refine our risk identification and assessment processes, enhance our risk management capabilities, and regularly publish ESG reports in line with regulatory requirements.

**Environment**

We strictly comply with the Environmental Protection Law of the People's Republic of China and other environmental protection regulations and standards. We have developed internal management systems, including the Identification, Evaluation, and Control Process for Environmental Factors, and have enhanced our environmental management system, which is certified under ISO 14001. Our commitment is to minimize the impact of our production and operations on the ecology, environment, and natural resources. As of December 31, 2024, we have not experienced any environmental pollution incidents.

We have set the following environment-related targets in light of the current state of business and environmental management to promote the green and low-carbon development of the Company:

- ***Emission reduction target***: We will continue to maintain 100% exhaust emissions in compliance with the standard.

- ***Waste reduction targets***: We aim to achieve a 1.25% year-on-year reduction in hazardous waste discharge per unit of production capacity in 2025 compared to 2024, 100% of hazardous waste is legally disposed.

- ***Energy and water efficiency targets***: We are constantly improving energy efficiency, aiming at an 18% decrease in comprehensive energy consumption per unit of production capacity in 2025 compared to 2024. We are also actively managing water consumption in our production and operations, targeting an 8% decrease in water consumption per unit of production capacity in 2025 compared to 2024.

***Emissions Management***

We strictly abide by the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes, and other pertinent laws and regulations. We have formulated internal management systems such as the Management Process for Atmospheric Pollution Prevention and Control, the Management Process for Water Pollution Prevention and Control, and the Waste Control Process. All waste gas, wastewater, and solid waste generated by the Company are rigorously controlled and discharged until they meet the standards.

- ***Waste gas management***. We seek to effectively manage and control all equipment, facilities, and activities that emit pollutants into the atmosphere. We install and use low-emitting and energy-saving equipment and facilities and prefer new energy vehicles with lower exhaust emissions for our business operations to further reduce waste gas emissions. Waste gases generated from our production and operations are primarily NOx, SOx, and particulate matter (PM). Our waste gas emissions in 2021, 2022, 2023, and 2024 were 6.26 tons, 14.35 tons, 6.27 tons and 6.28 tons, respectively. The exhaust emission densities are 0.003 kg per unit output (kWh), 0.004 kg per unit output (kWh), 0.001 kg per unit output (kWh), and 0.001 kg per unit output (kWh), respectively.

- ***Wastewater discharge***. The wastewater generated during our production and operations primarily consists of domestic and industrial wastewater. We ensure that wastewater cannot be discharged into the rainwater pipe network. We require that wastewater from the cafeteria shall be treated with grease and slag insulation and then discharged to the municipal sewage through the domestic sewage treatment station in compliance with the standards. We collect wastewater using dedicated sewage collection pipes and tanks, treat it in an industrial wastewater plant, and then reuse it in cooling water towers. In 2021, 2022, 2023 and 2024, we discharged approximately 31,313 tonnes, 50,608 tonnes, 149,940 tonnes and 231,407 tonnes of wastewater, respectively. The wastewater discharge density is approximately 0.016 tons per unit output (kWh), 0.013 tons per unit output (kWh), 0.021 tons per unit output (kWh), and 0.019 tons per unit output (kWh) in 2021, 2022, 2023 and 2024, respectively.

- ***Hazardous and non-hazardous waste***. We have standardized our waste classification system and intensified our waste segregation efforts. Hazardous waste, such as waste acid and liquids, are collected according to regulations and entrusted to qualified agencies for proper disposal. The hazardous wastes generated in the production process are mainly packaging drums, waste rags, cathode sludge, waste oil, waste filter elements, waste activated carbon, and waste electrolyte etc. Our hazardous waste emissions were 89,070 kg, 510,560 kg, 559,980 kg and 862,871 kg in 2021, 2022, 2023 and 2024, respectively, and the hazardous waste emissions per unit output were 0.045kg, 0.129kg, 0.080kg and 0.070kg in 2021, 2022, 2023 and 2024, respectively, all of which were 100% compliant of applicable standards and rules. We host regular employee training on "standardized waste management" to raise employees' awareness of environmental protection, and we strive to reduce the amount of waste generated to minimize the environmental impact of our operations. In 2021, 2022, 2023 and 2024, it is estimated that we discharged approximately 2,033 tons, 3,787 tons, 7,377 tons and 10,277 tons of non-hazardous waste, respectively, with an average density of about 0.001 tons per unit output (kWh) for the four years. The non-hazardous waste generated in the process of our production and operation mainly consists of waste paper, waste wood, household waste, and kitchen waste, among others.

  Our pollutant emissions are in line with the industry norm. According to publicly available information, the average and median number of total intensity of greenhouse gas ("**GHG**") emissions (Scope 1 and Scope 2) of the leading companies in the industry in 2023 is 0.031 tonnes of carbon dioxide equivalent per unit output (kWh).

***Hazardous waste disposal suppliers' selection***

We have developed a series of internal policies on selecting hazardous waste disposal suppliers to reduce the risk of accidental leakage and contamination, including but not limited to: (i) we have set up waste control procedures which requires our supply chain management department to strictly follow the procedures when select waste disposal suppliers; (ii) our environmental, health and safety department will review the qualifications of waste disposal suppliers, including business licenses, hazardous waste operation permits, etc.; and (iii) after being reviewed and approved by the environmental, health and safety department, the selected supplies will be included in our list of qualified suppliers. The supply chain management department can select suitable waste disposal suppliers from the list of qualified suppliers. Our current business does not involve used power battery or parts recycling.

***Energy and Resource Management***

To optimize our management of energy efficiency, we have set up an Energy Conservation Committee and formulated internal policies and systems such as the Management Standards for Energy Conservation and Consumption Reduction, the Control Process for Energy Reviews, the Control Process for Energy Operations, and the Control Process for Energy Performance Monitoring and Evaluation. We decrease energy consumption by promoting energy-efficiency retrofitting of equipment, using new energy sources, and greening our offices. Digital and intelligent administration has enabled comprehensive monitoring and evaluation of energy use and carbon footprint across the Company. In addition, our demand-driven business strategy and core philosophy help us reduce the waste of production resources. We adopt standardized battery cells, platformed battery packs, and differentiated their performance with diversified electrochemistries to meet diversified customer needs while reducing product material consumption.

- ***Green offices***: We advocate green and energy-saving practices in our offices. Our energy-saving measures include maximizing the use of natural lighting, using timed or sound-activated switches in public areas, setting air-conditioning temperatures no lower than 26°C in summer, turning off lights during non-working hours, and cutting off electricity after work.

| Metric | Unit | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| Electricity consumption . . | kWh | 59,710,112 | 124,804,527 | 259,674,611 | 304,080,555 |
| Electricity consumption intensity . . . . . . . . . . | kWh/ Production output (kWh) | 30.42 | 31.50 | 36.95 | 24.76 |
| Gasoline consumption . . . | L | 20,203 | 30,647 | 32,475 | 23,292 |
| Natural gas . . . . . . . . . . | $m^3$ | 7,771,261 | 15,367,477 | 28,969,454 | 28,918,430 |
| Packaging material consumption . . . . . . . . | t | 13,148 | 4,698 | 13,733 | 23,608 |

Our primary water is obtained from the municipal supply, and we have not faced any water shortages. By using water-saving equipment and recycling water, we have successfully decreased water consumption and increased water efficiency.

- ***Reducing water consumption***: We install water-saving equipment in office and production areas, such as water-saving faucets, toilet flushing devices, shower heads, and automatic shut-off faucets to minimize water waste as far as possible. A water monitoring system is in place to detect abnormalities in water usage through data analysis and monitoring, allowing us to take timely corrective measures. We regularly inspect and maintain the water supply system and optimize the layout of the water supply pipe network to ensure its efficient operation and decrease leakage.

- ***Increasing water efficiency***: We install rainwater collection facilities to recycle rainwater for irrigation, flushing, and other non-potable uses. A circular cooling water system is integrated into the production process to recycle cooling water. Treated wastewater is reused for flushing, cleaning, replenishing cooling towers, and other purposes.

We consumed 241,664 $m^3$, 646,060 $m^3$, 944,459 $m^3$ and 1,083,703 $m^3$ of water in 2021, 2022, 2023 and 2024, respectively.

We also prioritize the impact of our production and operations on biodiversity and natural resources and promote the ecological thinking of sustainability and recycling across our value chain. We advocate for resource recycling and enhance recycling rates through innovations in materials systems, structures, processes, and equipment, thereby contributing to a green circular economy. This approach helps us fulfill our commitment to providing customers with green, high-quality products while protecting the health and stability of the ecosystem.

***Responding to Climate Change***

We are striving for green, low-carbon, and sustainable development. We actively respond to climate change, improve climate governance, and set up the Energy Management Department as the main department responsible for carbon emission management, and the director of the Energy Management Department as the person in charge of energy management, responsible for establishing and optimizing the construction and management of the energy system, setting, decomposing and assessing the annual targets of the Group's bases, and continuously improving the energy management performance.

Through the establishment of ISO 50001 energy management system and the establishment of FMCS plant management system platform, the Energy Management Department monitors and tracks the energy consumption of each base of the Group in real time, realizes the refined and visual management of energy consumption and carbon emission data, ensures the timely analysis and judgment of abnormal deviation data, and takes corresponding countermeasures and adjustments. The department regularly holds weekly, monthly and annual energy consumption optimization and carbon reduction meetings since May 2024, focusing on the analysis and improvement of energy and carbon emission reduction deviations, ensuring that the responsibility is assigned to the people, and continuously strengthening energy use management and carbon emission reduction measures.

By installing renewable energy equipment and facilities such as rooftop distributed photovoltaic power generation systems, we utilize solar energy to reduce electricity consumption and thereby reduce carbon emissions from day-to-day operations. Other initiatives to reduce carbon emissions include storing, converting, and releasing electricity through energy storage plants, thus effectively balancing peak and valley electricity consumption.

Since 2023, we verify our GHG emissions and certify the carbon footprint of our products every year.

| Metric | Unit | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| GHG emissions | $tCO_2e$ | 49,075 | 100,635 | 202,746 | 226,442 |
| GHG emission intensity | Tonne $CO_2e$/ Production output (kWh) | 0.025 | 0.025 | 0.029 | 0.018 |
| Scope 1 GHG emissions | $tCO_2e$ | 17,034 | 33,664 | 63,405 | 63,273 |
| Scope 1 GHG emission intensity | Tonne $CO_2e$/ Production output (kWh) | 0.009 | 0.008 | 0.009 | 0.005 |
| Scope 2 GHG emissions | $tCO_2e$ | 32,040 | 66,970 | 139,341 | 163,170 |
| Scope 2 GHG emission intensity | Tonne $CO_2e$/ Production output (kWh) | 0.016 | 0.017 | 0.020 | 0.013 |
| Scope 3 GHG emissions | $tCO_2e$ | 501,437 | 748,507 | 874,179 | 1,315,430 |

*Note:* Scope 1 GHG emissions are primarily from the consumption of direct energy (gasoline, natural gas, etc.) in our operations; Scope 2 GHG emissions are primarily from the consumption of indirect energy (purchased or acquired electricity) in our operations. The data refers to the Reporting Guidance on Environmental KPIs of the Hong Kong Stock Exchange, and the GHG emission factor for purchased electricity refers to the national grid average emission factor for 2022; and Scope 3 GHG emissions are derived from purchased goods and services, use of sold products and employees' commuting of our business operation, where the activity level data is mainly based on internal data systems and purchasing records and sales records, internal survey questionnaires, and relevant emission factors and parameters are derived from the US Environmentally-Extended Input-Output (EEIO) databases, Ecoinvent database, China Products Carbon Footprint Factors Database, Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions for Land Transportation Enterprises, Fuel Consumption Limits and Measurement Methods for Natural Gas Operating Buses (JT/T 1444-2022), UK DEFRA GHG Conversion factor 2022, IPCC Sixth Assessment Report, and 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

In response to China's "dual carbon" strategy, we plan to reduce our greenhouse gas emissions per unit of production capacity (Scope 1 and 2) by 15% by the end of 2025. We have calculated the carbon emissions from purchased goods and services, use of sold products and employee commuting in Scope 3 and expect to gradually expand the calculation to other categories of emissions from the second half of 2024 to 2025. Scope 3 carbon emissions from purchased goods and services refer to emissions from extractions, production, and transportation of goods and services purchased or acquired by the Company in the relevant period, including all upstream (cradle-to-gate) emissions of purchased goods and services. Scope 3 carbon emissions from use of sold products refer to emissions from end use of goods and services sold by the Company in the relevant period, including the direct use-phase emissions of sold products over their expected lifetime. We will aim for a 2.5% annual reduction in Scope 3 emissions based on science-based targets. We will achieve our Scope 3 emissions reduction targets by increasing the proportion of green and low-carbon transportation, promoting green travel for employees, green office, and optimizing the energy structure.

## Social

### *Quality and Services of Products*

Adhering to the corporate values of "Excellence, Renovation, and Inspire", we always pursue improvements and better quality, and never be satisfied with what we have achieved. Our guidelines are to serve the market, satisfy consumers, meet customers' needs, and our commitment is to provide customers with reliable products.

*Product Quality Management*

We have been improving our product quality management system and obtained quality management system certifications such as IATF 16949 and AS9100D. We are the first power battery company to obtain the AS9100D certification for aviation and space quality management systems and one of the first leaders in the low-altitude economy in Suzhou. We have also comprehensively strengthened our quality management in the aspects of product design, reliability analysis, supply chain. Our SAP, MES, and manufacturing operations management systems enable data monitoring across the process and precise product traceability.

We have created a standardized business quality management model under the intelligent information system platform. With "lean quality management" as the core to drive the internal cycle, the model is facilitated by the "product safety management system" and "performance excellence" management model of intelligent manufacturing. We have created a quality culture engaging all employees, aiming at "excellent quality, technological innovation, chip-based services, and continuous improvement," and promoted the integration and enhancement of design quality, monitoring and measurement quality, process quality control, system management, and the quality culture. In this way, we are constantly pursuing mature quality management.

In addition, digital and intelligent manufacturing effectively ensures our product quality. We replace manual inspection with visual inspection technology enabled by AI deep learning and build a quality closed-loop control system with AI edge computing technology, effectively improving product quality consistency.

In terms of product safety, we follow the Product Safety Control Standards to identify the safety characteristics and process characteristics of our products and their manufacturing processes, and take the necessary monitoring measures to ensure that we meet our customers' needs. We minimize the risks related to product safety faced by our employees at the stages of product design, development, and manufacturing, striving to avoid any safety defects in our products delivered to customers. We refer to the Standards for Handling Product Safety Abnormalities to control manufacturing process defects involving product safety and have a rapid response process for abnormalities in place to ensure timely and effective closure of anomalous issues. In addition, we have developed the wing-fin top cover design, pioneered the use of blue-laser compound-nugget welding technology and many other advanced technologies, and prevented product safety risks through technologically advanced management strategies and other means. During the Track Record Period and up to the Latest Practicable Date, the Company was not subject to any material lawsuits of product liability claims or redesign efforts.

*Product Recall*

We actively fulfill our obligations to recall defective products in strict accordance with relevant provisions in the Regulations on the Analysis and Management of Market Recalled Parts. To standardize the analysis and management of recalled products, a recalled product analysis team composed of professional technicians from various departments is put in place, responsible for the return of recalled products to the factory and analysis. We have set out a process for product recall analysis, raising clear requirements for the formulation of plans for the return and analysis of recalled products, on-site confirmation and return of recalled products to the factory, and analysis of recalled products. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material product recalls, return or complaints, and we are not aware of any pending product recalls or investigations or actions by relevant authorities or customers which may lead to a product recall.

*Customer Service*

We have constructed a front and back-end matrix organization corresponding to customer management lines. With customers at the center, the R&D, purchasing, production, marketing, and finance departments are coordinated into a cross-departmental product development team. This approach facilitates rapid response to customer needs, quality customer service, and continuous improvements in customer service satisfaction.

- ***After-sales service and management***: We have formulated regulations on after-sales standardized operations in line with the International Automotive Task Force (IATF) system standards to effectively control the key elements of after-sales service. With an operation model featuring after-sales maintenance and technical support, we provide customers with diversified after-sales service projects, including battery inspection, battery replacement, battery repair, battery charging, and battery maintenance, along with continuously improving service experience.

- ***Customer complaint handling***: We have established a complete end-to-end issue handling mechanism that consists of quality information feedback, information collection, analysis plans, issue tracking, report generation, issue follow-up, horizontal rollout, and lesson summary, which enables closed-loop management of customer complaints.

- ***Customer information security and privacy protection***: We have formulated and observed the Information Security Management System, the Classified Document Management Standards, and other internal management systems. We sign confidentiality agreements with our customers for strict protection of both parties' information and data. Data is categorized at different levels according to its sensitivity, and corresponding protection measures are in place for each level. Information and data security is safeguarded through access control and identity authentication, security auditing and monitoring, and contingency plans. In addition, we host regular information security awareness education and skill training for our employees, including phishing attack identification, password management, and data protection, to enhance their information security awareness.

***R&D and Innovation***

We continuously enhance the core competitiveness of our products, provide a diverse product portfolio, and commit ourselves to covering more application scenarios to meet the needs of different customers and seize the market opportunities in clean technology. As a result, we have developed a series of industry-leading feature products, such as the Universe series BEV battery pack, which is the first in the industry to realize detachable single cells and easy repairment by adopting the first mortise-and-tenon joint technology, thus effectively reducing the waste of resources. Furthermore, we actively cooperate with external organizations to facilitate material and product upgrades. In 2024, our R&D expenses reached RMB556.2 million.

*Intellectual Property Protection*

We have formulated several internal intellectual property management systems to facilitate the commercialization and protection of technological achievements, including the Intellectual Property Management Manual, the Intellectual Property Management and Incentive System, the Patent Package Management System, and the Know-How Management System. We have also set up teams of patent application, patent risk control, and patent intelligence collection to ensure professional management of intellectual property affairs. An intellectual property incentive mechanism is in place to encourage our employees to invent and create while ensuring timely filing and protection of innovative achievements. Through a comprehensive review of internal intellectual property, we have created detailed intellectual property lists and files for reasonable planning and management. We have established an intellectual property data platform and improved contract management and compliance review to avoid infringement of other people's rights. We have also enhanced our intellectual property infringement monitoring mechanism and take legal measures to reasonably safeguard our own rights and interests in case of infringement found. At the same time, we organize our employees to attend training on legal knowledge of intellectual property and awareness of confidentiality to ensure compliance with pertinent laws and regulations in their day-to-day work and prevent unintentional disclosure or infringement of others' intellectual property rights. As of December 31, 2024, we have been authorized a total of 2,225 patents, among which 412 were invention patents, as well as 183 registered trademarks.

*Human Capital*

Employees are our most valuable assets. We provide an equal and inclusive workplace for our employees and strive to enhance their sense of belonging and happiness.

*Employment Compliance*

We strictly follow the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Provisions on the Prohibition of Using Child Labor, the Law of the People's Republic of China on the Protection of Minors, and other pertinent laws and regulations. We have formulated the Recruitment Channel Management System, the Recruitment and Staffing Management Standards, the Attendance Management System, and the Reward and Penalty Management System, among other internal policies and systems, along with resolute bans on the use of child labor and forced labor. All of our employees are of legal employment age. There have been no incidents of child labor or forced labor.

*Diversity, Equity and Inclusion*

We are committed to fostering an equitable and non-discriminatory work environment and ensuring equal employment opportunities for all employees. Our recruitment policy emphasizes inclusiveness, with special efforts in recruiting people with disabilities, to actively fulfill social responsibility. We strive to ensure the supply of highly compatible and high-caliber talent through a strict, fair, unbiased, open, and standardized hiring process and continuously regulate our recruitment management. Discrimination based on race, color, age, gender, disability, pregnancy, religious beliefs, or marital status is strictly prohibited in every stage, including job announcements, interviews, and hiring. As of December 31, 2024, we had a total of 4,033 employees, 1,087 of whom were women. Among our employees, 53.3% are 30 years old and below, 46.1% are 31-50 years old, and 0.6% are over 50 years old.

*Employee Health and Safety*

We strictly follow the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Measures for the Administration of Occupational Health, the Regulation on Work-Related Injury Insurance, and other pertinent laws and regulations. We have formulated the Safety and Occupational Health System and the Standards for Labor Protective Equipment, among internal management systems, and maintained efforts in improving our occupational health management system. A platform for occupational physical examination files is in place to ensure that employees in positions exposed to occupational hazards can receive regular pre-employment, on-the-job, and off-the-job physical examinations. In addition, our employees' safety skills and awareness are effectively enhanced through regular safety training, safety inspections, and emergency drills. During the Track Record Period, we have not experienced any accidents involving work-related injuries or fatalities, with 0 working days lost due to work-related injuries.

*Career Development*

We have established a science-based and comprehensive talent management system, set paths for talent development, and provided our employees with a favorable growth environment and a vast development platform. We have formulated internal management systems to provide comprehensive support for the career development of our employees, including the Training Management Manual and the Academic Upgrading Release Policy, which are aimed at increasing their professional knowledge and skills and motivating them to upgrade their academic qualifications and obtain professional certifications. We provide diverse internal and external training programs, including induction training, Tongchuang Academy, 6 Sigma training, and professional skill upgrading, to help our employees realize their professional values. Our training program includes new employee orientation training, occupational health and safety education and technical knowledge training, training on quality, information security, among others, with the coverage rate of the training program reaching 100%. At the same time, for specific positions, we will conduct targeted training according to the nature of the position, such as internal training for key position holders, special training for quality management personnel, technical courses, management courses and general courses. We also invite external trainers to our Company from time to time to conduct training, or send our employees to participate in external seminars or training programs.

*Employee Care*

We prioritize the work-life balance of our employees and enrich their spare time by organizing diversified activities, including the "Fighter" basketball competition, the Movie Watching Association, employee birthday parties, mooncake making for the Mid-Autumn Festival, scented sachet making for the Dragon Boat Festival, and the Chinese New Year party for staying employees.

We also pay attention to the physical and mental health of employees and have a basketball court, an indoor badminton court, ping-pong tables, karaoke, and other facilities in the Company. The labor union has set up five associations, namely for basketball, badminton, table tennis, board and card games, and running and hiking, which regularly organize sports activities. We also partner with fitness centers to provide employees with free fitness benefits once a week.

We have also built a residential community called "Zenergy Home," which is equipped with delivery lockers, delivery stations, hairdressers, vending machines, employee supermarkets, to facilitate lives of our employees. In addition, we have established a Lechu Foundation, and employees who join the foundation can enjoy the "Three Support Funds" and "Medical Mutual Aid" benefits.

***Responsible Supply Chain***

We have established a comprehensive supply chain management system and formulated the Procurement Management Control Process, the Acquisition and Management Process for Raw Material Suppliers, the Acquisition and Control Standards for Non-Direct Material Suppliers, the Management Standards for Non-Productive Material Procurement, and the Management Standards for Fixed Asset Procurement. These management systems cover the aspects of supplier acquisition and admission, performance assessment, regular management, performance management, optimization, and removal. We have also formulated procurement operation standards for direct production materials, non-direct production materials, and fixed assets to ensure efficient, transparent, and sustainable supply chain management. In 2024, we partnered with a total of 184 raw material suppliers, two of which were from outside China.

In terms of supplier management, we have implemented the following measures:

- ***Supplier screening and admission***: We follow the 'Raw Material Supplier Development and Management Procedure' to standardize the process of procurement and development of raw material suppliers. In the admission process, we adhere to the principles of 'Quality First' and 'ESG sustainable development', assessing suppliers' performance in product quality with an focus on environmental protection, labor rights, employee health and safety, business ethics, intellectual property protection and other ESG performance and related certifications. We require suppliers to provide relevant management system certifications, such as ISO45001, ISO14001, ISO9001, IATF16949, complying with labor laws to protect the basic rights and interests of employees, and complying with environmental protection laws and safety production laws to ensure the occupational health and safety of employees. In addition, we have incorporated energy-saving certification evaluation standards such as carbon footprint and carbon emissions to promote suppliers' improvement and enhancement in the field of low carbon environmental protection. We also incorporate ESG compliance requirements into supply contract, requesting suppliers to sign various agreements, including Supplier Code of Conduct, Supplier Environmental and Occupational Health and Safety Management Commitment, and Non use of Prohibited Substances Guarantee, which clearly define the responsibilities of both parties.

- ***Supplier evaluation and removal***: We continuously monitor the ESG performance of our suppliers through online reviews, on-site visits, and audits. We use a monthly performance evaluation mechanism to evaluate our suppliers' performance in quality, price, service, delivery, and technology, and the evaluation results are categorized into four grades: A, B, C, and D. Suppliers graded D in an annual performance evaluation will face removal. Suppliers graded C in a performance evaluation for two consecutive months and presenting no significant improvement in quality performance will be considered for suspension of supply, and a search will start for replacement.

- ***Supplier communication and exchange***: To enhance the engineering and quality management capabilities of our suppliers, we provide free 6 Sigma training and conduct regular audits for continuous improvement.

***Recycling***

We have reached a green supply chain collaboration agreement with a third party new energy materials company, to recycle batteries and related materials, jointly creating a recycling process from battery waste to raw materials to new energy batteries.

***Business Ethics***

We strictly abide by the Anti-Money Laundering Law of the People's Republic of China and other pertinent laws and regulations to prevent bribery, extortion, fraud, money laundering, and other unethical business practices. Our Employee Handbook and labor contracts outline clear policies and penalties regarding anti-bribery, anti-corruption, and professional ethics to ensure employees remain honest and disciplined in their day-to-day work. As of December 31, 2024, we have not been involved in any litigation cases in this regard.

We continuously improve our complaint and reporting procedures by establishing dedicated email addresses and telephone numbers for reporting. Employees and business partners are encouraged to report any malpractice, bribery, misconduct, or suspicious activities to their knowledge related to the Company's regular operations and business activities. We ensure strict confidentiality of the whistleblower's identity and the reporting materials to protect their legitimate rights and interests. Any individual who discloses information about whistleblowers or retaliates against them will face dismissal or termination of their labor contract. Those who violate the law will be referred to judicial authorities for legal action.

We promote a culture of integrity by emphasizing business ethics and anti-corruption in our induction training for new employees. All new hires are required to sign the Sunshine Agreement, a written commitment to adhere to the Company's anti-corruption and anti-bribery policies.

***Public Welfare and Charity***

We are committed to social welfare and encourage our employees to participate in social volunteering. Through financial support, we participated in the construction of the Riverside Park, which has effectively improved the surrounding ecology and environment and upgraded urban greening, providing a pleasant place for residents to relax. In addition, we donated RMB600,000 to the Changshu Charity Federation, aiming to improve the quality of life of local impoverished residents, thus contributing to a harmonious society.

## INSURANCE

As of the Latest Practicable Date, we believe that our insurance coverage is in line with the industry practice and adequate to cover our key assets, facilities and liabilities, including but not limited to all property-related risks insurance, cargo transportation insurance, employer liability insurance and product liability insurance. We procured insurance policies by type and amount that we consider sufficient, and evaluated such insurance policies from time to time based on our past experience, changes in production and industry developments.

We are committed to minimizing the risks of product liability claims, warranty claims and product recalls through stringent quality control. In addition, in the event that one or more of our suppliers is determined to be liable (in whole or in part), we will assess the compensation or contributions sought from the relevant suppliers (if applicable) in accordance with the terms and conditions of the supply contracts entered into with the relevant suppliers, taking into account various commercial considerations, including but not limited to the amount sought, the financial ability of the relevant supplier and the risk of interruption in the supply of our products to our customers as a result of claims for compensation or contributions that may be made by us. See "Risk Factors—Risks Relating to Our Industry and Business—We may not have adequate insurance to cover losses and liabilities arising from various operational risks and hazards. Specifically, we may be involved in product liability claims, and our product liability insurance may not be sufficient to cover potential liability from product liability claims."

## EMPLOYEES

As of December 31, 2024, we had 4,033 full-time employees. Generally, we enter into labor contracts with our employees. Substantially all of our employees were in China. The following table sets forth the number of our employees by function as of December 31, 2024.

| | Number of employees | Percentage (%) |
|---|---|---|
| R&D | 1,060 | 26.3 |
| Management and administration | 403 | 10.0 |
| Finance | 22 | 0.5 |
| Sales and marketing | 69 | 1.7 |
| Manufacturing and production | 2,479 | 61.5 |
| **Total** | **4,033** | **100.0** |

We have established a labor union to protect the legal rights of all employees and encourage employees to participate in the management decision-making process. We maintain good relationships with employees and are committed to creating a fair and conducive work environment for individual growth. We prohibit all forms of discrimination based on race, gender, religion, age, nationality or any other characteristic. During the Track Record Period and up to the Latest Practicable Date, there were no material labor disputes that would have a material and adverse effect on our business, financial conditions or results of operations.

We hire outsourced employees for certain entry-level non-technical positions. We regularly review the qualifications of outsourcing vendors and specify the rights and obligations of outsourcing vendors, outsourced employees and us in the outsourcing agreements.

**Recruiting**

Based on our strategic development plan, we formulate personnel planning and recruitment plans, reserve talents in advance, and build a talent pool. We have developed detailed policies governing our recruitment process. In the course of the recruitment process, we identify the talents most suitable for our development needs through multiple channels, mainly including internal referrals, online recruitment, campus recruitment and local job fairs. We enter into standard employment contracts and confidentiality agreements with our employees. We also enter into a non-competition agreement with our key employees.

**Remuneration and Benefits**

We believe in providing our employees with attractive remuneration packages and a dynamic work environment that can motivate our employees to grow rapidly and create value. We offer employees competitive compensation and benefits, including monthly salaries, incentive plans, various welfare benefits and opportunities for employee learning and development. Our incentive plans include performance-based bonuses, which are linked to quarterly performance evaluations and organizational performance, and various project awards, including chairman's awards, president's awards, outstanding contribution awards, business development awards, IKW improvement project awards, patent application awards, safety production awards, outstanding employee awards and long service contribution awards. In terms of benefits, we provide employees with various holidays and social insurance and housing provident fund contributions.

**Training**

We focus on the career development of all employees. We have established a systematic training management system providing corresponding training programs specialized for the needs and requirements of different employees. Our employee training system mainly consists of new employee orientation training, professional skills training, leadership training and general skills training.

*Onboarding Training.* We provide company-level training for all new employees covering our corporate culture, rules and regulations, safety, quality, information security, processes and production. The departments are responsible for the training for new employees on departmental structures, responsibilities, operational procedures and performance standards, as well as the examination during the probationary period. Frontline production staff are required to complete relevant job training to obtain a work permit. Special training plans are developed for new graduates to help them quickly understand and integrate into the company.

*Professional Skills Training.* Our professional skills training focuses on the employees' job responsibilities, required professional skills, internal departmental sharing and project training (such as 6 Sigma) to enhance their professional capabilities.

*Leadership Training.* Our leadership training focuses on corporate culture, corporate strategy, team management, talent development, market insights, etc., empowering middle-level and key personnel with leadership responsibilities.

*General Skills Training.* General skills training refers to the training on skills that are not specific to a profession or job type, aiming to provide employees with essential work methods and abilities, such as office software, business etiquette, communication skills and time management.

## RISK MANAGEMENT AND INTERNAL CONTROL

### Risk Management

We are exposed to various risks during our business operations. We have established risk management systems consisting of appropriate policies and procedures, and we continue to improve these systems. We have adopted, among other things, the following risk management measures:

(i) Our board of directors is responsible for monitoring our internal control system, reviewing its effectiveness, and maintaining our risk at an appropriate and effective level. Our audit department is responsible for the evaluation of the risks faced by us. A review of our risk management and internal control system will be conducted annually, which will include a review of all material controls, including financial, operational and compliance controls;

(ii) We require all departments to proactively identify the risks they face and various internal and external factors that affect the occurrence of the risks;

(iii) We will monitor sanctions-related risks in our course of business and will use our best endeavors to ensure that we do not sell our products to any entities subject to economic sanctions; and

(iv) We will engage external professional advisors, where necessary, and work with our internal audit and legal team to conduct regular reviews to ensure the effectiveness of all registrations, licenses, permits, filings and approvals.

### Internal Control

We have engaged an independent internal control consultant to help identify and advise on mitigating risks relating to our operation. During the review by our independent internal control consultant, certain deficiencies were identified based on sample review and we have adopted the appropriate internal control measures to improve such deficiencies. In particular, the internal control consultant had identified that the operation of certain special committees of the board of directors is slightly different from the requirements of Hong Kong Stock Exchange for listed companies. To rectify such deficiencies, we have adjusted and improved the policies and procedures of certain special committees of the Board of Directors, such as the Nomination Committee, Audit Committee and Remuneration Committee, to meet the requirements of the Hong Kong Stock Exchange for listed companies. Except as described above, we are not aware of any material internal control weaknesses or incidents during the Track Record Period and up to the Latest Practicable Date.

We had adopted additional internal control measures to comply with the Listing Rules. Except as described above, we are not aware of any material internal control weaknesses or incidents during the Track Record Period and up to the Latest Practicable Date.

We are committed to establishing and maintaining risk management and internal control systems. We have adopted and implemented a comprehensive risk management policy encompassing risks that may arise in R&D, procurement management, production management, sales management, and the construction of new projects. Our risk management and internal control systems also cover the general functional operations such as human resources, financial management, asset management, warehousing and logistics management, information system management and corporate governance as well as decision-making processes. Meanwhile, we are committed to supervising and evaluating the effectiveness of risk management and internal control system to ensure that the system is rectified and effectively controlled as our business develops.

We have established internal audit mechanism to continuously monitor our risk management and internal control systems. We pursue a zero-tolerance policy towards bribery and corruption. We have adopted internal procedures that contain relevant requirements for confidentiality, integrity, conflicts of interest and other guidelines on the code of behaviors. We also designated responsible departments to monitor the compliance of the above internal procedures. For example, we have put in place a whistle-blowing channel where external suppliers, employees and other relevant parties can file complaints or report violation acts. When receiving whistle-blowing or internal reports of relevant incidents, we will initiate the investigation procedures. Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we did not encounter any incidents of breaches of our anti-corruption, anti-bribery and anti-money laundering policies and procedures.

To address and manage the litigation risk of infringement of intellectual properties, we have adopted enhanced internal control measures to ensure effective and compliant intellectual property management and prevent further infringement of intellectual properties including but limited to:

- We obtained the certificate of intellectual property management system certification, implemented the national standard of "Enterprise Intellectual Property Management Standard" approved and promulgated by the State Standardization Administration Committee, and enhanced monitoring and control process;

- We continually expand our intellectual property department with more professionals and talents. Our recruiting and human resources department conducts background check on candidates especially for R&D positions to make sure their onboarding would not violate any non-competition obligation from their previous employment. The R&D staff who are closely connected to intellectual property matters are required to sign a declaration letter to avoid potential infringement of intellectual property rights. We also request candidates who have obligations under non-competition agreements to provide confirmation or notice on the termination of such obligations;

- Our intellectual property department is involved in the entire process of the design and development of each new product to control and prevent the risk of intellectual property infringement throughout the process of developing new products and/or technologies and ensure the compliance of the intellectual property rights of all products. Specifically, the Intellectual Property Representative (IPR) conducts continuous patent searches and coordinates technical personnel such as product chief engineers, product engineers, design engineers, manufacturing representatives and other technical personnel to carry out detailed patent infringement analyses and patent infringement avoidance activities on specific product designs and process designs. The IPR supervises the technical personnel to complete the drafting of patent applications and the deployment of relevant patents on time.

## BOARD OF DIRECTORS

Our Board comprises seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. Pursuant to the Articles of Association, our Directors serve a term of three years and may be re-elected for successive re-appointments. Our Board is responsible and has general powers for the management and conduct of our business. The table below sets forth certain information in respect of the members of the Board.

| Name | Age | Position/Title | Date of appointment as a Director | Date of joining our Group | Roles and responsibilities |
|---|---|---|---|---|---|
| **Executive Directors** | | | | | |
| Ms. Cao Fang (曹芳) | 66 | Chairperson of the Board and executive Director | February 2019 | February 2019 | Overall strategic planning and business development of our Group |
| Dr. Chen Jicheng (陳繼程) | 53 | Executive Director and general manager | February 2019 | February 2019 | Overall management and operations of our Group |
| Dr. Yu Zhexun (于哲勛) | 42 | Executive Director (employee representative Director) | June 2024 | March 2022 | Overall management of the platform center of our Group |
| **Non-executive Director** | | | | | |
| Mr. Zhang Li (張力) | 50 | Non-executive Director | June 2023 | June 2023 | Providing strategic advice to our Group |
| **Independent non-executive Directors** | | | | | |
| Dr. Xu Zhiming (許志明) | 63 | Independent non-executive Director | June 2024 | June 2024 | Providing independent opinion and judgment to the Board |
| Dr. Gong Zhengliang (龔正良) | 45 | Independent non-executive Director | June 2024 | June 2024 | Providing independent opinion and judgment to the Board |
| Dr. Xiao Min (肖珉) | 54 | Independent non-executive Director | June 2024 | June 2024 | Providing independent opinion and judgment to the Board |

**Executive Directors**

**Ms. Cao Fang (曹芳)**, aged 66, joined our Group in February 2019 and has served as the chairperson of the Board of our Company since its establishment. Ms. Cao was re-designated as an executive Director in June 2024.

Ms. Cao has extensive enterprise management experience. She co-founded Zenergy Investment, which engages in investment in the sector of core components of EV, with Dr. Chen in August 2016. Ms. Cao has served as the chairperson of STAES since November 2013. She also founded SINOGY VC engaging in venture capital investment in March 2013 and has served as the executive director since its incorporation. From August 1987 to September 1994, Ms. Cao served as the manager of the sales department at Fuyao Glass Industry Group Co., Ltd. (福耀玻璃工業集團股份有限公司) ("**Fuyao Glass**"), a company listed on the Shanghai Stock Exchange (stock code: 600660) and the Hong Kong Stock Exchange (stock code: 3606), and she served as a director and the vice general manager of Fuyao Glass from October 1994 to April 2014.

Ms. Cao received an executive master's degree in business administration from Peking University (北京大學) in the PRC in June 2017.

**Dr. Chen Jicheng (陳繼程)**, aged 53, joined our Group in February 2019 and has served as a Director and the general manager of our Company since its establishment. Dr. Chen was re-designated as an executive Director in June 2024.

Prior to joining our Group, Dr. Chen co-founded Zenergy Investment with Ms. Cao in August 2016 and has served as the executive director since its incorporation. He also co-founded SINOGY VC in March 2013 with Ms. Cao. Dr. Chen joined Fuyao Glass in October 2003 and successively held multiple positions at the Fuyao Glass group, including as an executive director of Fuyao Glass from October 2015 to April 2016, and as the vice general manager of Fuyao Glass from February 2011 to April 2016.

Dr. Chen received his bachelor's degree in economy and administrative management from Nanjing Political Academy (南京政治學院) (currently known as Political College of National Defence University (國防大學政治學院)) in the PRC, his executive master's degrees in business administration from Tsinghua University (清華大學) and INSEAD Business School in France, respectively, and his doctoral degree in business administration from The University of Hong Kong. Dr. Chen published a research article in *Advanced Materials* as a co-author in cooperation with a research team from Institute of Chemistry, Chinese Academy of Sciences in July 2024. Dr. Chen has been pursuing his second doctoral degree in materials and chemicals from Peking University (北京大学) in the PRC since August 2022.

**Dr. Yu Zhexun (于哲勛)**, aged 42, was elected as an employee representative Director in June 2024 and re-designated as an executive Director of our Company in July 2024. He joined our Group in March 2022 as the director of platform center and has served as the chief product officer since December 2022.

Prior to joining our Group, Dr. Yu accumulated working and research experience in battery related research and development, including serving as a senior officer at Jiangsu TAFEL from October 2018 to March 2022. Dr. Yu served as a senior engineer of Huawei Technologies Co., Ltd. (華為技術有限公司) from September 2015 to October 2018, and worked in Dongguan Amperex Technology Co., Ltd. (東莞新能源科技有限公司) as a senior engineer from December 2010 to August 2015.

Dr. Yu received his bachelor's degree in chemistry from Peking University (北京大學) in the PRC in July 2005 and his doctoral degree in condensed matter physics from the Institute of Physics, Chinese Academy of Sciences (中國科學院物理研究所) in the PRC in January 2011. He was a post-doctoral fellow in South China University of Technology (華南理工大學) in the PRC from December 2011 to December 2014.

**Non-executive Director**

**Mr. Zhang Li (張力)**, aged 50, has served as a Director of our Company since June 2023 and was re-designated as a non-executive Director in June 2024.

Mr. Zhang has served as the secretary of the Party Committee and chairman of the board of directors of Huafu Growth Investment Co., Ltd. (華福成長投資有限公司) (formerly known as Xingyin Investment Co., Ltd. (興銀投資有限公司)) since August 2023, where he served as the general manager from March 2021 to July 2023. Previously, Mr. Zhang served as the general manager of Xingyin Fund Management Co., Ltd. (興銀基金管理有限責任公司) ("**Xingyin Fund**") from March 2015 to January 2021. From December 2014 to September 2019, Mr. Zhang served as an executive director of Shanghai Xinghan Asset Management Co., Ltd. (上海興瀚資產管理有限公司), a wholly-owned subsidiary of Xingyin Fund.

Mr. Zhang received his bachelor's degree in engineering from Qingdao Chemical College (青島化工學院) (currently known as Qingdao University of Science and Technology (青島科技大學)) in the PRC in July 1997, and his master's degree in accounting from Shanghai University of Finance and Economics (上海財經大學) in the PRC in June 2013.

**Independent non-executive Directors**

**Dr. Xu Zhiming (許志明)**, aged 63, was appointed as an independent non-executive Director in June 2024.

Dr. Xu has extensive experience in corporate governance. Dr. Xu is a partner of China Broadband Capital (寬帶資本). From January 2002 to May 2005, Dr. Xu successively served as a Senior Advisor of TOM Group Ltd. (TOM集團有限公司), and an executive director and chief operating officer of TOM Online Inc. (TOM在線有限公司). From August 1999 to December 2001, Dr. Xu successively served as an executive director of China Resources Enterprise Limited (華潤創業有限公司), an executive director of China Resources (Beijing) Land Limited (華潤北京置地有限公司), and the managing director and chief operating officer of China Resources Logic Limited (華潤勵致有限公司).

Dr. Xu has served as an independent non-executive director of Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 2666), since June 2022. He previously served as an independent non-executive director in each of (i) DFZQ (東方證券股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 3958) and the Shanghai Stock Exchange (stock code: 600958), from July 2016 to November 2022, and (ii) Tianjin Capital Environmental Protection Group Company Limited (天津創業環保集團股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1065) and the Shanghai Stock Exchange (stock code: 600874), from November 2021 to September 2022.

Dr. Xu received his bachelor's degree in astrophysics from Peking University (北京大學) in the PRC in July 1983, his master's degree in industrial economy from Chinese Academy of Social Sciences (中國社會科學院) in the PRC in July 1986, and his doctoral degree from The University of Manchester in the United Kingdom in July 1993.

**Dr. Gong Zhengliang (龔正良)**, aged 45, was appointed as an independent non-executive Director in June 2024.

Dr. Gong has served as a professor in the College of Energy, Xiamen University (廈門大學) from August 2019 and has long been committed to low-cost and high-efficiency energy storage and conversion devices with his recent focus on electrochemical energy storage devices and their key materials. Dr. Gong has undertaken more than 10 projects under the National Key Research and Development Program (國家重點研發計劃) and the National Natural Science Foundation of China (國家自然科學基金), etc. and has published more than 80 SCI-indexed papers in *Energy & Environmental Science*, *Advanced Energy Materials*, *Acs Energy Letters*, *Advanced Functional Materials*, *Nano Letters*, and other academic journals. Dr. Gong has successively served as an assistant professor, associate professor and professor in the College of Energy of Xiamen University (廈門大學) from July 2010. Prior to that, he served as a research fellow in the department of chemical and biomolecular engineering of the National University of Singapore from August 2008 to July 2010.

Dr. Gong received his bachelor's degree in chemistry from Hunan Normal University (湖南師範大學) in the PRC in July 2001, and his master's and doctoral degree in physical chemistry from Xiamen University (廈門大學) in the PRC in July 2004 and December 2007, respectively.

**Dr. Xiao Min (肖珉)**, aged 54, was appointed as an independent non-executive Director in June 2024.

Dr. Xiao has successively served as a teaching assistant, lecturer, associate professor, professor, and doctoral supervisor in the MBA Education Center and the Department of Finance in the School of Management at Xiamen University (廈門大學) since April 2001.

Dr. Xiao has served as (i) an independent director of Dnake (Xiamen) Intelligent Technology Co., Ltd. (厦門狄耐克智能科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300884), since September 2024; (ii) an independent director of Xiamen Faratronic Co., Ltd. (廈門法拉電子股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600563), from April 2011 to April 2017, and since April 2023, respectively; (iii) an independent director and the chairperson of the audit committee of Fujian Yanjing Huiquan Beer Co., Ltd. (福建省燕京惠泉啤酒股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600573), from May 2009 to April 2015, and since May 2022, respectively, (iv) an independent director of Fuxin Futong Technology Co., Ltd. (福信富通科技股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 835213), since December 2020; and (v) an independent director of Yimi Fund Management Co., Ltd (易米基金管理有限公司) since August 2020.

Dr. Xiao previously served as an independent director and a member of the audit committee of Zhangzhou Yabao Electronic Co., Ltd. (漳州雅寶電子股份有限公司) from November 2020 to February 2024. She also served as (i) an independent director and the chairperson of the audit committee of Fujian Wanchen Biotechnology Group Co., Ltd. (福建萬辰生物科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300972), from August 2020 to September 2023, and (ii) an independent director of Xiamen R&T Plumbing Technology Co., Ltd. (廈門瑞爾特衛浴科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002790), from May 2018 to May 2024.

Dr. Xiao cumulated extensive experience in the corporate governance especially in the financial management perspective through her working experience in the A Share listed companies as mentioned above. Dr. Xiao served as chairperson of audit committee in each of Fujian Yanjing Huiquan Beer Co., Ltd. (福建省燕京惠泉啤酒股份有限公司), Fujian Wanchen Biotechnology Group Co., Ltd. (福建萬辰生物科技股份有限公司) and Xiamen Faratronic Co., Ltd. (廈門法拉電子股份有限公司), and had been involved in (i) overseeing internal audit procedures, (ii) communications with auditors in relation to the auditing scope, measures, audited financials and material issues identified, (iii) reviewing of the auditors' report and (iv) evaluation of the independence and professionalism of the accounting firms and etc. Additionally, Dr. Xiao has been teaching accounting and financial related courses at Xiamen University (廈門大學) since January 2009. Therefore, our Company believes that Dr. Xiao has appropriate accounting and related financial management expertise under Rule 3.10(2) of the Listing Rules.

Dr. Xiao received her bachelor's degree in accounting from Anhui College of Finance & Trade (安徽財貿學院) (currently known as Anhui University of Finance & Economics (安徽財經大學)) in the PRC in June 1992, her master's and doctoral degree in enterprise management from Xiamen University (廈門大學) in the PRC in December 2000 and June 2007, respectively. Dr. Xiao also received a master's degree in business administration from Babson College in the United States in May 2013.

## CONFIRMATION FROM OUR DIRECTORS

### Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

### Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in July 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

### Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

## SUPERVISORY COMMITTEE

Our Supervisory Committee consists of three Supervisors, including one employee representative Supervisor. The employee representative Supervisor is elected at the staff representative assembly for a term of three years, which is renewable upon re-election and re-appointment. The functions and duties of the Supervisory Committee include, among other things, reviewing periodic reports prepared by the Board, overseeing the financial conditions of our Group, and supervising the performance of our Directors and senior management members.

The following table sets out information in respect of the Supervisors.

| Name | Age | Position/Title | Date of appointment as a Supervisor | Date of joining our Group | Roles and responsibilities |
|---|---|---|---|---|---|
| Mr. Yu Yang (于洋) . . | 37 | Chairperson of the Supervisory Committee and employee representative Supervisor | January 2025 | July 2019 | Management of the Supervisory Committee and supervising the daily operation of the Group |
| Mr. Hong Ping (洪平) . | 48 | Supervisor | June 2024 | June 2024 | Supervising the daily operation of the Group |
| Mr. Jiang Dongfeng (姜東峰) . . . . . . . | 48 | Supervisor | December 2024 | October 2019 | Supervising the daily operation of the Group |

**Supervisors**

**Mr. Yu Yang (于洋)**, aged 37, is the chairperson of our Supervisory Committee and the employee representative Supervisor.

Mr. Yu joined our Group in July 2019 as a translator of Suzhou ZENIO, a wholly-owned subsidiary of our Group, until March 2020. He has served as a senior sales manager of our Company since January 2022.

Prior to joining our Group, Mr. Yu served as an application engineer at TI Automotive Japan Ltd. (TI Automotive Japan株式会社) from January 2015 to June 2019. He worked at Central Engineering Co., Ltd. (セントラルエンジニアリング株式会社) from November 2013 to January 2014. Mr. Yu worked at Pasona Tech, Inc. (株式会社パソナテック) from May 2011 to November 2012. He served as a technician (intern) at Liao River Petroleum Exploration Authority (遼河石油勘探局) from July 2010 to March 2011.

Mr. Yu received his bachelor's degrees in mechanical engineering and Japanese from Dalian University of Technology (大連理工大學) in the PRC in June and July 2010, respectively.

**Mr. Hong Ping (洪平)**, aged 48, is a Supervisor.

Mr. Hong has served as (i) the deputy general manager of Changshu Kuncheng Lake Construction Investment Group Co., Ltd. (常熟市昆承湖建設投資集團有限公司) since December 2024, (ii) the chairperson of Haohua Financing Leasing (Jiangsu) Co., Ltd. (昊華融資租賃(江蘇)有限公司) since February 2024, (iii) the executive director of Changshu Southeast Investment Holding Co., Ltd. (常熟市東南投資控股有限公司) since August 2022, (iv) the executive director and general manager of Changshu Kuncheng Nikko Hotel Management Co., Ltd. (常熟昆承日航酒店管理有限公司) since February 2022, (v) the executive director of Changshu Kuncheng Construction Development Co., Ltd. (常熟昆承建設發展有限公司) since October 2021, (vi) the chairperson of the board and general manager of Changshu Southeast Asset Operation Investment Co., Ltd. (常熟東南資產經營投資有限公司) since August 2018, (vii) the general manager of Changshu Kuncheng Lake Development and Construction Co., Ltd. (常熟昆承湖開發建設有限公司) from January 2015 to August 2022, (viii) chief of the investment and financing section of the Changshu Hi-tech Zone Finance Bureau (常熟市高新區財政局) from December 2002 to January 2015, (ix) member of the budget section of the Changshu Finance Bureau (常熟市財政局) from July to December 2002, and (x) accountant at the Changshu Meili Township Finance Office (常熟市梅李鎮財政所) from August 1997 to June 2002.

Mr. Hong received his bachelor's degree in accounting from China Central Radio and TV University (中央廣播電視大學) (currently known as The Open University of China (國家開放大學)) in the PRC in January 2004. Mr. Hong obtained his securities qualification certificate (證券從業資格) in April 2016, futures qualification certificate (期貨從業資格) in April 2017, financial leasing qualification certificate (融資租賃從業資格) in May 2017 and fund qualification certificate (基金從業資格) in July 2016.

**Mr. Jiang Dongfeng (姜東峰)**, aged 48, is a Supervisor.

Mr. Jiang joined our Group in October 2019 as a project manager of Suzhou ZENIO, a wholly-owned subsidiary of our Group, until May 2020. He then served as the executive vice president of Suzhou ZENIO from May 2020 to March 2022. Mr. Jiang served as the executive deputy general manager of Jiangsu Aiev from August 2020 to April 2021 before serving as the general manager of Jiangsu Aiev since April 2021. He has served as the senior director of Zenergy System Base of Suzhou ZENIO in charge of the management and operation of the Zenergy System Base since March 2022.

Prior to joining our Group, Mr. Jiang served as a senior project manager of the ESS division of Shanghai XPT Technology Limited (上海蔚蘭動力科技有限公司) from July 2018 to October 2019. He also served as a senior quality manager of the operations and supply chain department of Beijing ASU Tech Co., Ltd. (北京一數科技有限公司) from October 2017 to July 2018. Mr. Jiang worked at Beijing Boston Power Technology Co., Ltd. (北京波士頓電池技術有限公司) from February 2016 to September 2017. Mr. Jiang worked at Beijing Changji Refueling Equipment Co., Ltd. (北京長吉加油設備有限公司) (currently known as Gilbarco Veet-root Mobility Technology Beijing Co., Ltd. (吉蔚交通科技(北京)有限公司)) from June 2014 to January 2016. He worked at Perlos (Beijing) Electronic and Telecommunication Components Co., Ltd. (貝爾羅斯(北京)電子電信部件有限公司) (currently known as Beijing Lite-On Mobile Electronic and Telecommunication Components Co., Ltd. (北京光寶移動電子電信部件有限公司)) from November 2008 to May 2014. Mr. Jiang worked at TD Tech Limited (鼎橋通信技術有限公司) from June 2007 to October 2008. He worked at Xinhuikai Electronics (Beijing) Co., Ltd. (新輝開電子(北京)有限公司) from February 2005 to May 2007.

Mr. Jiang received his bachelor's degree in chemical engineering (polymer chemistry and engineering) and his master's degree in materials science and engineering from Tianjin University (天津大學) in the PRC in June 2000 and January 2005, respectively.

## SENIOR MANAGEMENT

The following table sets out information regarding the members of senior management of our Company.

| Name | Age | Position/Title | Date of appointment as senior management | Date of joining our Group | Roles and responsibilities |
|---|---|---|---|---|---|
| Dr. Chen Jicheng (陳繼程) . . . . . . . | 53 | Executive Director and general manager | February 2019 | February 2019 | Overall management and operations of our Group |

| Name | Age | Position/Title | Date of appointment as senior management | Date of joining our Group | Roles and responsibilities |
|---|---|---|---|---|---|
| Mr. Tang Jia (唐佳) . . | 39 | Executive deputy general manager | January 2024 | January 2023 | Overall management of the commercial and technical department, project management department and after-sales service department of our Group |
| Mr. Liang Wangchun (梁旺春) . . . . . . . | 43 | Chief financial officer and secretary of the Board | August 2020 | August 2020 | Overall management of the accounting and finance, investment and financing, and investor relations of our Group |

**Dr. Chen Jicheng (陳繼程)**, aged 53, is an executive Director and the general manager of our Company. See "—Executive Directors" above for details of his biography.

**Mr. Tang Jia (唐佳)**, aged 39, is the executive deputy general manager of our Company. Mr. Tang joined our Group in January 2023 as deputy general manager until January 2024. He has served as the executive deputy general manager of our Group since January 2024.

Mr. Tang served as the general manager of the Ghana office of SUNDA GROUP CO., LIMITED (森大集團有限公司) from November 2021 to January 2023. Prior to that, he served as the assistant of the president at the Lighting Engineering International division of Shenzhen Ocean's King Lighting Technology Co., Ltd. (深圳海洋王照明科技有限公司) from January 2020 to December 2020. Mr. Tang worked at Huawei Technologies Co., Ltd. (華為技術有限公司) from November 2008 to July 2019, where he successively served as the Representative of the Paraguay Representative Office of Huawei and a department head.

Mr. Tang obtained his bachelor's degree in economics from Xiamen University (廈門大學) in the PRC in July 2007. He obtained the executive master's degree of business administration with merit from The University of Lancaster in the United Kingdom in July 2024.

**Mr. Liang Wangchun (梁旺春)**, aged 43, is the chief financial officer and secretary of the Board of our Company.

Before joining our Group in August 2020 as the chief financial officer of our Company, Mr. Liang successively worked at several subsidiaries of Fuyao Glass, including serving as the finance manager at Tianjin Hongde Auto Glass Co., Ltd. (天津泓德汽車玻璃有限公司) from May 2018 to July 2020 and the finance manager at Fuyao Group (Shenyang) Automotive Glass Co., Ltd. (福耀集團(瀋陽)汽車玻璃有限公司) from April 2014 to May 2018. Mr. Liang also worked at Fuyao Group (Fujian) Engineering Glass Co., Ltd. (福耀集團(福建)工程玻璃有限公司), as the finance manager from April 2005 to April 2014. He worked at Xinyuan (Fujian) Package Printing Co., Ltd. (鑫園(福建)包裝印刷有限公司) from January to March 2005. From August 2000 to August 2004, Mr. Liang worked as an accountant at Fujian Xinfuxing Glass Co., Ltd. (福建新福興玻璃有限公司) (currently known as Xinfuxing Glass Industrial Group Co., Ltd. (新福興玻璃工業集團有限公司)).

Mr. Liang received his college degree in accounting from Fuzhou University (福州大學) in the PRC in June 2007. Mr. Liang was accredited as a non-practicing Certified Public Accountant by The Liaoning Provincial Institute of Certified Public Accountants (遼寧省註冊會計師協會) in March 2018. He has been a senior accountant certified by Tianjin Human Resources and Social Security Bureau (天津市人力資源和社會保障局) since December 2019. Mr. Liang was accredited the International Certified Internal Auditors' Certificate by the International Institute of Internal Auditors in December 2018 and the Certified Management Accountant Certificate by the Institute of Certified Management Accountants in the USA in September 2019.

## INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Saved as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, as of the Latest Practicable Date, none of our Directors, Supervisors and senior management had been a director of any public company the securities of which were listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Prospectus. There are no other matters with respect to the appointment of our Directors and Supervisors that need to be brought to the attention of the Shareholders, nor is there any information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

Saved as disclosed above, as of the Latest Practicable Date, none of our Directors, Supervisors or senior management were related to other Directors, Supervisors or senior management of our Company.

Saved as disclosed in the sections headed "Relationship with our Controlling Shareholders," "Substantial Shareholders" and "Appendix IV—Statutory and General Information—Further Information about Our Directors, Supervisors, Senior Management and Substantial Shareholders—Interests and short positions of our Directors, Supervisors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and our associated corporations," as of the Latest Practicable Date, none of our Directors and Supervisors held any interest in the securities within the meaning of Part XV of the SFO.

## JOINT COMPANY SECRETARIES

**Ms. Xu Jing (徐婧)**, aged 39, joined our Group in July 2020 as the deputy chief financial officer of our Company. Ms. Xu was appointed as our joint company secretary in October 2024.

Before joining our Group, Ms. Xu worked at Che Li Fang Culture Development (Beijing) Co., Ltd. (車立方文化發展(北京)有限公司) as a finance supervisor from July 2015 to June 2020. Ms. Xu also worked at several subsidiaries of Fuyao Glass, including serving as the chief financial officer at Tianjin Hongde Auto Glass Co., Ltd. (天津泓德汽車玻璃有限公司) in July 2015, successively as an accountant of finance department and the chief officer of accounting division at FUYAO Group Beijing Futong Safety Glass Co., Ltd. (福耀集團北京福通安全玻璃有限公司) from May 2008 to June 2015, and as an accountant at Guangzhou FUYAO Glass Co., Ltd. (廣州福耀玻璃有限公司) from July 2007 to May 2008.

Ms. Xu received her bachelor's degree in financial management from East China University of Technology (東華理工大學) in the PRC in July 2007 and her master's degree in business administration from Peking University (北京大學) in the PRC in January 2020. Ms. Xu was accredited the intermediate-level accounting professional qualification by the Ministry of Human Resources and Social Security (人力資源和社會保障部) and the Ministry of Finance (財政部) of the PRC in September 2021.

**Ms. Ho Wing Nga (何詠雅)** was appointed as our joint company secretary in July 2024. Ms. Ho currently serves as the managing director of governance services of Computershare Hong Kong Development Limited and the joint company secretary and company secretary for various companies listed on the Stock Exchange. Ms. Ho has over 25 years of experience in corporate governance services. She obtained a master's degree in corporate governance from the Hong Kong Polytechnic University in December 2006 and became an associate of The Hong Kong Chartered Governance Institute (the "**HKCGI**," previously known as the Hong Kong Institute of Chartered Secretaries) in the same month. In March 2015, Ms. Ho became a fellow member of both the HKCGI and The Chartered Governance Institute. She is also a holder of the practitioner's endorsement of the HKCGI and a member of The Hong Kong Institute of Directors.

## BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code as set out in the Appendix C1 to the Listing Rules, our Company has formed three Board committees, namely the Audit Committee, the Remuneration and Evaluation Committee and the Nomination Committee.

**Audit Committee**

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules, paragraph C.4 and paragraph D.3 of Part 2 of the Corporate Governance Code. The Audit Committee consists of three Directors, namely Dr. Gong Zhengliang (龔正良), Dr. Xiao Min (肖珉) and Mr. Zhang Li (張力). Dr. Xiao Min (肖珉) has the accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules, and Dr. Gong Zhengliang (龔正良) serves as the chairperson of the Audit Committee. The primary duties of the Audit Committee include, but not limited to, the following:

- proposing the appointment or change of external auditors to our Board, and monitoring the independence of external auditors and evaluating their performance;
- guiding internal audit work;
- examining the financial information of our Company, reviewing financial reports and statements of our Company and giving comments on relevant matters;
- assessing the effectiveness of internal control;
- coordinating the communication among management, internal audit department, related departments and external audit agency; and
- dealing with other matters that are authorized by the Board or involved in relevant laws and regulations.

**Remuneration and Evaluation Committee**

We have established a Remuneration and Evaluation Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of Part 2 of the Corporate Governance Code. The Remuneration and Evaluation Committee consists of five Directors, namely Dr. Xu Zhiming (許志明), Ms. Cao Fang (曹芳), Dr. Chen Jicheng (陳繼程), Dr. Gong Zhengliang (龔正良) and Dr. Xiao Min (肖珉). Dr. Xu Zhiming (許志明) serves as the chairperson of the Remuneration and Evaluation Committee. The primary duties of the Remuneration and Evaluation Committee include, but not limited to, the following:

- formulating individual remuneration plans for Directors and members of the senior management in accordance with the terms of reference of the job responsibilities, the importance of their positions as well as the remuneration benchmarks for the relevant positions in other comparable companies;
- examining the criteria of performance evaluation of Directors and the senior management of our Company, and conducting annual performance evaluation;

- supervising the implementation of the remuneration plan of the Company;
- reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules; and
- dealing with other matters that are authorized by the Board.

**Nomination Committee**

We have established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of Part 2 of the Corporate Governance Code. The Nomination Committee consists of five Directors, namely Ms. Cao Fang (曹芳), Dr. Chen Jicheng (陳繼程), Dr. Xu Zhiming (許志明), Dr. Gong Zhengliang (龔正良) and Dr. Xiao Min (肖瑶). Ms. Cao Fang (曹芳) serves as the chairperson of the Nomination Committee. The primary duties of the Nomination Committee include, but not limited to, the following:

- making recommendations to our Board with regards to the size and composition of our Board based on our Company's business operation, asset scale and equity structure;
- researching and developing standards and procedures for the election of our Board members, general managers and members of the senior management, and making recommendations to our Board;
- conducting extensive search and providing to our Board suitable candidates for Directors, general managers and other members of the senior management;
- examining our Board candidates, general manager and members of the senior management and making recommendations to our Board;
- assessing and reviewing the independence of independent non-executive Directors; and
- dealing with other matters that are authorized by our Board.

## COMPENSATION OF DIRECTORS AND SUPERVISORS

Our Directors and Supervisors received their remuneration in the form of fees, salaries, allowances and benefits in kind, performance related bonuses, share-based payment expenses and pension scheme contributions.

For the years ended December 31, 2021, 2022, 2023 and 2024, the total remuneration accrued to our then Directors amounted to approximately RMB5.1 million, RMB4.9 million, RMB5.1 million and RMB8.0 million respectively.

For the years ended December 31, 2021, 2022, 2023 and 2024, the total remuneration accrued to our then Supervisors amounted to approximately RMB1.9 million, RMB2.7 million, RMB3.2 million and RMB5.3 million respectively.

Under the arrangement currently in force, we estimate the total compensation before taxation to be accrued to our Directors and our Supervisors in kind for their service for the year ending December 31, 2025 to be approximately RMB6.7 million. The actual remuneration of Directors and Supervisors in 2025 may be different from the expected remuneration.

For the years ended December 31, 2021, 2022, 2023 and 2024, the total emoluments accrued to the five highest paid individuals (including Directors and Supervisors) by our Group amounted to approximately RMB10.4 million, RMB11.3 million, RMB17.3 million and RMB22.6 million, respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office in connection with the management positions of any subsidiary of our Company.

Save as disclosed above, none of our Directors or Supervisors waived any remuneration during the relevant period. The remuneration of Directors, Supervisors and senior management is determined with reference to factors including operating results of our Company, market comparables and the achievement of major operating indicators of our Company.

## PRE-IPO EQUITY INCENTIVE PLANS

We adopted the Pre-IPO Equity Incentive Plans, details of which are set forth in "Statutory and General Information—Pre-IPO Equity Incentive Plans" in Appendix IV to this Prospectus.

## CORPORATE GOVERNANCE CODE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company intends to comply with Corporate Governance Code set out in Appendix C1 to the Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules after the Listing.

## BOARD DIVERSITY POLICY

We are committed to promoting the culture of diversity in the Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

We have adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, race, cultural background, educational background, industry experience and professional experience. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business administration, material physics and chemistry, accounting and etc. Our three independent non-executive Directors have different industry backgrounds, with solid experiences in the fields of finance and accounting, investment and corporate governance and battery related research, representing more than one-third of the members of our Board. Our Board Diversity Policy is well implemented as evidenced by the fact that there are Directors ranging from 42 years old to 66 years old and comprises two female Directors and five male Directors. Pursuant to the Board Diversity Policy, we aim to maintain at least 10% female representation in the Board and the current composition of the Board satisfies this target gender ratio. We will implement policies to ensure gender diversity when recruiting staff to develop a pipeline of female senior management and potential successors to the Board. We will strive to enhance our female representation and achieve appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices. Furthermore, we will implement comprehensive programs aimed at identifying and training our female staff who display leadership and potential, with the goal of promoting them to the senior management or the Board.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the Listing, our Nomination Committee will review the Board Diversity Policy from time to time, develop and review measurable objectives for implementing the policy, and monitor the progress on achieving these measurable objectives to ensure its continued effectiveness. We will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

## COMPLIANCE ADVISER

We have appointed Maxa Capital Limited as our Compliance Adviser pursuant to Rules 3A.19 and 3A.23 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise our Company in certain circumstances including:

- before the publication of any regulatory announcement, circular or financial report;

- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues, sales or transfers of treasury shares and share repurchases;

- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this Prospectus; and

- where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24 of the Listing Rules, the Compliance Adviser will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Hong Kong Stock Exchange. The Compliance Adviser will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of the appointment will commence on the Listing Date and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

## OUR CONTROLLING SHAREHOLDERS

Historically, Ms. Cao (the Chairperson of the Board and an executive Director) and Dr. Chen (an executive Director and the general manager of our Company) have been acting in concert with each other since the incorporation of our Company in respect of all major affairs concerning the Group and together led the management and operation of the business of our Company and effected control over our Company through Shareholders which are their close associates and jointly controlled by them (the "**Management Shareholders**"), namely:

(a) Zenergy Investment, a company held by (i) Dr. Chen as to 46%; (ii) Ms. Cao as to 42%; and (iii) Ms. Cao and Dr. Chen indirectly through SINOGY VC, their controlled corporation, as to 12%;

(b) SINOGY VC, a company held by (i) Ms. Cao as to 52%; and (ii) Dr. Chen as to 48%;

(c) Nanjing Miaode, a limited partnership of which the general partner is Zhengli Consulting, which is a company held by each of Ms. Cao and Dr. Chen as to 50%;

(d) Nanjing Xuande, a limited partnership of which the general partner is Zhengli Consulting, which is a company held by each of Ms. Cao and Dr. Chen as to 50%;

(e) Zhengli No. 1, a limited partnership of which Ms. Cao and Dr. Chen are the general partners; and

(f) Zhengli No. 2, a limited partnership of which Ms. Cao and Dr. Chen are the general partners.

In order to further consolidate the control of the Management Shareholders of our Company and improve the efficiency of shareholders' decision-making process, Zenergy Investment entered into separate acting-in-concert agreements (the "**AIC Agreements**") and voting proxy agreements (the "**Voting Proxy Agreements**") in 2021 and 2022 with certain minority financial investors (the "**Financial Investors**"), which comprise Wuxi Zhenghai, Fujian Yaohua, Wukuang Yuanding, Beijing Jiade, Juxin Xihai, Hengqin New Kinetic Energy, Lianhe Jiaying, China Industrial Securities Investment Management, Anhui Haichuang, Chengtun Mining, Mr. Ma Shaodong and Zhongtai Ronghao. The Financial Investors agreed to:

(a) pursuant to the AIC Agreements, exercise their voting rights or express their opinions based on and in the same manner as Zenergy Investment for key corporate decisions, including but not limited to our Company's operations and investment planning, the appointment, remuneration and replacement of directors and supervisors, changes to registered capital, merger, demerger, dissolution or liquidation, and the amendment of articles of association; and

(b) pursuant to the Voting Proxy Agreements, irrevocably grant proxy of voting rights to Zenergy Investment where resolutions by way of shareholders' meeting are required in accordance with the applicable laws, regulations and corporate governance rules for matters relating to our Company's day-to-day operations management and development, IPO and financing.

Immediately prior to the Global Offering, the Management Shareholders, which in aggregate hold approximately 48.56% of the issued share capital of our Company, are acting in concert together with the Financial Investors, which in aggregate hold approximately 16.04% of the issued share capital of our Company (together with the Management Shareholders, the "**Acting-in-Concert Shareholders**"). Accordingly, the Acting-in-Concert Shareholders are collectively interested in, and are entitled to exercise control over, an aggregate of approximately 64.60% of the voting rights of our Company. As such, they are considered as our controlling shareholders before Listing and will be subject to applicable lock-up requirements pursuant to Rule 10.07 of the Listing Rules after Listing.

For the background of the Acting-in-Concert Shareholders, please refer to the section headed "History, Reorganization and Corporate Structure".

The Financial Investors have confirmed that they do not intend to continue to act in concert or exercise any common control over our Group upon completion of the Global Offering. Accordingly, the Financial Investors have entered into separate agreements with Zenergy Investment to terminate the AIC Agreements and Voting Proxy Agreements, with such termination to take effect upon Listing.

Immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Ms. Cao and Dr. Chen will together control the voting rights of approximately 46.21% of the total issued share capital of our Company through the Management Shareholders. Accordingly, Ms. Cao and Dr. Chen, together with the Management Shareholders (namely Zenergy Investment, SINOGY VC, Nanjing Miaode, Nanjing Xuande, Zhengli No. 1 and Zhengli No. 2) and Zhengli Consulting, will be a group of Controlling Shareholders of our Company upon Listing. Ms. Cao and Dr. Chen will continue to act in concert in respect of all major affairs concerning the Group in accordance with their acting-in-concert agreement after the Listing provided that they remain interested in the share capital of our Company. For the background of our Controlling Shareholders, please refer to the sections headed "History, Reorganization and Corporate Structure" and "Directors, Supervisors and Senior Management".

## INDEPENDENCE OF OUR BUSINESS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders after the Listing for the reasons set out below.

**Management Independence**

Our business is managed and conducted by our Board and senior management. Upon the Listing, our Board will consist of three executive Directors, one non-executive Director and three independent non-executive Directors. For more details, please see the section headed "Directors, Supervisors and Senior Management".

Notwithstanding the roles of Ms. Cao and Dr. Chen, our Directors are of the view that our Company is able to function independently from our Controlling Shareholders for the following reasons:

(i) each of our Directors is aware of his or her fiduciary duties and responsibilities under the Listing Rules as a director, which require that he or she must act for the benefit and in the best interests of our Company and not allow any conflict between his or her duties as a Director and his or her personal interests;

(ii) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. For details of the industry experience of our senior management team, please see the section headed "Directors, Supervisors and Senior Management";

(iii) we have appointed three independent non-executive Directors, who (i) account for more than one-third of the Board, (ii) do not and will not hold any directorships or management positions in our Controlling Shareholders, (iii) possess the requisite industry knowledge and experience and are qualified to provide independent, sound and professional advice to our Company, and (iv) will be responsible for deciding certain matters of our Company which must always be referred to the independent non-executive Directors for review;

(iv) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, any interested Director is required to declare the nature of such interest and shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum; and

(v) to support our management independence, we have adopted a series of corporate governance measures to management conflicts of interest, if any, between our Group and our Controlling Shareholders. For more details, please refer to "—Corporate Governance Measures" in this section.

Based on the above, our Directors believe that our Board and senior management as a whole are able to play a managerial role in our Company independently from our Controlling Shareholders after the Listing.

**Operational Independence**

Our Group is not operationally dependent on our Controlling Shareholders. Our Company (including through our subsidiaries) holds all relevant licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, technology, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and suppliers and an independent management team to handle our day-to-day operations.

Based on the above, our Directors consider there to be no operational dependence on any of our Controlling Shareholders.

**Financial Independence**

Our Group is not financially dependent on our Controlling Shareholders, and we do not expect to rely on our Controlling Shareholders for financing after the Listing. Our Company has established its own independent finance department and implemented its own independent audit, accounting, internal control and financial management systems. We make financial decisions and determine our use of funds according to our own business needs. We have opened accounts with banks independently and do not share any bank account with our Controlling Shareholders. We have made tax filings and paid tax independently of our Controlling Shareholders pursuant to applicable laws and regulations. We have adequate internal resources to support our daily operations, and we are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders. We also have an audit committee comprising non-executive Directors only to oversee our accounting and financial reporting processes.

As of the Latest Practicable Date, there is no outstanding loan extended by our Controlling Shareholders and/or their close associates to us. Any guarantee previously provided by the Controlling Shareholders and/or their close associate(s) for our benefit has been released. All material amounts due from or due to our Controlling Shareholders and/or their close associate(s) not arising out of our ordinary course of business will be fully settled before the Listing.

In view of our internal resources, our undrawn banking facilities, our net cash generated from operating activities and the estimated net proceeds from the Global Offering, our Directors confirm that we will not rely on our Controlling Shareholders for financing support after the Global Offering. Our Directors also believe that, upon Listing, the sustainability of our business - as demonstrated by our results of operations and financial position during the Track Record Period - will enhance our ability to obtain or renew loans and borrowings from banks on an independent basis without the support of the Controlling Shareholders.

Based on the above, our Directors consider there to be no financial dependence on any of our Controlling Shareholders.

## DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Save and except for the interests of our Controlling Shareholders in our Company and its subsidiaries, our Controlling Shareholders and our Directors do not have any interest in any business, other than our Group, which competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

## CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance in relation to, among other matters, directors, the chairperson, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders. Details are set out in the section headed "Directors, Supervisors and Senior Management—Corporate Governance Code".

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We have adopted the following corporate governance measures to ensure good corporate governance, and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

(i) where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders has any material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum for the voting;

(ii) our Company has established internal control mechanisms to identify connected transactions. Upon Listing, if our Group enters into connected transactions with our Controlling Shareholders, our Company will comply with the applicable requirements under the Listing Rules;

(iii) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interest between our Group and the Controlling Shareholders (the "Annual Review"), and provide impartial and professional advice to protect the interests of our minority Shareholders;

(iv) the Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information, as well as any other information required by the independent non-executive Directors, for the Annual Review;

(v) our Company will disclose decisions, with basis, on matters reviewed by the independent non-executive Directors, either in its annual or interim reports or by way of announcements, as required by the Listing Rules;

(vi) where the advice from an independent professional, such as a financial or legal adviser, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such an independent professional will be made at our Company's expense; and

(vii) we have appointed Maxa Capital Limited as our Compliance Adviser, who will provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflict of interests between our Group and our Controlling Shareholders, and to protect our minority Shareholders' rights after the Listing.

## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and the conversion of our Unlisted Shares to H Shares, assuming the Over-allotment Option is not exercised, the following persons will have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

| | | As of the Latest Practicable Date | | Immediately following the Global Offering (assuming the Over-allotment Option is not exercised) | | |
|---|---|---|---|---|---|---|
| Name of Shareholder | Nature of Interest | Number of Shares | Approximate percentage of shareholding in our total share capital | Number of Shares[1] | Approximate percentage of shareholding in Unlisted Shares/ H Shares[2] | Approximate percentage of shareholding in our total share capital[2] |
| Ms. Cao[3] . . . . . . . | Interest in controlled corporations | 1,159,012,918 | 48.56% | 598,319,817 Unlisted Shares (L) | 55.96% | 23.85% |
| | | | | 560,693,101 H Shares (L) | 38.95% | 22.35% |
| | Interest in parties acting in concert through a controlled corporation | 382,946,254 | 16.04% | – | – | – |
| Dr. Chen[3] . . . . . . . | Interest in controlled corporations | 1,159,012,918 | 48.56% | 598,319,817 Unlisted Shares (L) | 55.96% | 23.85% |
| | | | | 560,693,101 H Shares (L) | 38.95% | 22.35% |
| | Interest in parties acting in concert through a controlled corporation | 382,946,254 | 16.04% | – | – | – |
| Zenergy Investment[3] . . | Beneficial interest | 460,690,543 | 19.30% | 322,483,380 Unlisted Shares (L) | 30.16% | 12.86% |
| | | | | 138,207,163 H Shares (L) | 9.60% | 5.51% |
| | Interests of parties acting in concert | 382,946,254 | 16.04% | – | – | – |
| SINOGY VC[3] . . . . . | Beneficial interest | 382,045,276 | 16.01% | 271,362,931 Unlisted Shares (L) | 25.38% | 10.82% |
| | | | | 110,682,345 H Shares (L) | 7.69% | 4.41% |

| Name of Shareholder | Nature of Interest | As of the Latest Practicable Date | | Immediately following the Global Offering (assuming the Over-allotment Option is not exercised) | | |
|---|---|---|---|---|---|---|
| | | Number of Shares | Approximate percentage of shareholding in our total share capital | Number of Shares[1] | Approximate percentage of shareholding in Unlisted Shares/ H Shares[2] | Approximate percentage of shareholding in our total share capital[2] |
| Zhengli Consulting[3] . . | Interest in controlled corporations | 292,815,839 | 12.27% | 3,621,006 Unlisted Shares (L) | 0.34% | 0.14% |
| | | | | 289,194,833 H Shares (L) | 20.09% | 11.53% |
| Nanjing Miaode[3]. . . . | Beneficial interest | 237,152,124 | 9.94% | 237,152,124 H Shares (L) | 16.48% | 9.45% |
| Fujian Financial Investment Co., Ltd. (福建省金融投資有限責任公司)[4] . . . . . . | Interest in a controlled corporation | 274,079,820 | 11.48% | 137,144,662 Unlisted Shares (L) | 12.83% | 5.47% |
| | | | | 136,935,158 H Shares (L) | 9.51% | 5.46% |
| Huafu Securities Co., Ltd. (華福證券有限責任公司)[4] . . . . . . | Interest in a controlled corporation | 274,079,820 | 11.48% | 137,144,662 Unlisted Shares (L) | 12.83% | 5.47% |
| | | | | 136,935,158 H Shares (L) | 9.51% | 5.46% |
| Huafu Investment[4] . . . | Beneficial interest | 165,689,009 | 6.94% | 137,144,662 Unlisted Shares (L) | 12.83% | 5.47% |
| | | | | 28,544,347 H Shares (L) | 1.98% | 1.14% |
| | Interest in a controlled corporation | 108,390,811 | 4.54% | 108,390,811 H Shares (L) | 7.53% | 4.32% |
| Lin Yongzhong (林永忠)[4] . . . . . . . . | Interest in a controlled corporation | 108,390,811 | 4.54% | 108,390,811 H Shares (L) | 7.53% | 4.32% |
| Zhongjin (Fujian) Venture Capital Co., Ltd. (中金(福建)創業投資有限責任公司)[4] . . . . . . | Interest in a controlled corporation | 108,390,811 | 4.54% | 108,390,811 H Shares (L) | 7.53% | 4.32% |

| | | As of the Latest Practicable Date | | Immediately following the Global Offering (assuming the Over-allotment Option is not exercised) | | |
|---|---|---|---|---|---|---|
| Name of Shareholder | Nature of Interest | Number of Shares | Approximate percentage of shareholding in our total share capital | Number of Shares[1] | Approximate percentage of shareholding in Unlisted Shares/ H Shares[2] | Approximate percentage of shareholding in our total share capital[2] |
| Xingsi Shenglian[4] | Beneficial interest | 108,390,811 | 4.54% | 108,390,811 H Shares (L) | 7.53% | 4.32% |
| Changshu Hi-Tech Holding Co., Ltd. (常熟市高新控股有限公司)[5] | Interest in a controlled corporation | 224,735,744 | 9.42% | 151,680,247 Unlisted Shares (L) | 14.19% | 6.05% |
| | | | | 73,055,497 H Shares (L) | 5.08% | 2.91% |
| Southeast Investment Holding[5] | Beneficial interest | 78,624,750 | 3.29% | 78,624,750 Unlisted Shares (L) | 7.35% | 3.13% |
| | Interest in a controlled corporation | 146,110,994 | 6.12% | 73,055,497 Unlisted Shares (L) | 5.08% | 2.91% |
| | | | | 73,055,497 H Shares (L) | 5.08% | 2.91% |
| Southeast Investment[5] | Beneficial interest | 119,902,744 | 5.02% | 59,951,372 Unlisted Shares (L) | 5.61% | 2.39% |
| | | | | 59,951,372 H Shares (L) | 4.17% | 2.39% |
| | Interest in a controlled corporation | 26,208,250 | 1.10% | 13,104,125 Unlisted Shares (L) | 1.23% | 0.52% |
| | | | | 13,104,125 H Shares (L) | 0.91% | 0.52% |
| Wang Zhengdong (王正東)[5] | Interest in a controlled corporation | 103,397,862 | 4.33% | 103,397,862 H Shares (L) | 7.18% | 4.12% |
| Shanghai Royalsea Capital Management Ltd. (上海正海資產管理有限公司)[5] | Interest in controlled corporations | 103,397,862 | 4.33% | 103,397,862 H Shares (L) | 7.18% | 4.12% |
| Wuxi Zhenghai[5] | Beneficial interest | 90,293,737 | 3.78% | 90,293,737 H Shares (L) | 6.27% | 3.60% |

*Notes:*

(1) The letter "L" denotes the person's long position in the Shares.

(2) The calculation is based on the total number of 1,069,127,364 Unlisted Shares and 1,439,372,739 H Shares in issue immediately after completion of the Global Offering since 1,317,849,039 Unlisted Shares will be converted into H Shares and 121,523,700 H Shares will be issued pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised.

(3) Ms. Cao and Dr. Chen: (i) hold Zenergy Investment as to 42% and 46% directly and as to 12% indirectly through SINOGY VC; (ii) hold SINOGY VC as to 52% and 48%; (iii) hold Zhengli Consulting as to 50% each, thereby controlling the general partnership interests in Nanjing Miaode and Nanjing Xuande; (iv) are the general partners of Zhengli No. 1 and Zhengli No. 2.

Therefore, by virtue of the SFO: (i) Zhengli Consulting is deemed to be interested in the Shares held by Nanjing Miaode and Nanjing Xuande (which holds 2.33% of the total issued share capital of our Company as of the Latest Practicable Date); and (ii) Ms. Cao and Dr. Chen are deemed to be interested in the Shares held by Zenergy Investment, SINOGY VC, Nanjing Miaode, Nanjing Xuande, Zhengli No. 2 (which holds 0.84% of the total issued share capital of our Company as of the Latest Practicable Date), and Zhengli No. 1 (which holds 0.15% of the total issued share capital of our Company as of the Latest Practicable Date).

According to the AIC Agreements and Voting Proxy Agreements entered into between Zenergy Investment and the Financial Investors in 2021 and 2022, the Financial Investors agreed to: (i) pursuant to the AIC Agreements, exercise their voting rights or express their opinions based on and in the same manner as Zenergy Investment for key corporate decisions, including but not limited to our Company's operations and investment planning, the appointment, remuneration and replacement of directors and supervisors, changes to registered capital, merger, demerger, dissolution or liquidation, and the amendment of articles of association; and (ii) pursuant to the Voting Proxy Agreements, irrevocably grant proxy of voting rights to Zenergy Investment where resolutions by way of shareholders' meeting are required in accordance with the applicable laws, regulations and corporate governance rules for matters relating to our Company's day-to-day operations management and development, IPO and financing.

Since Ms. Cao and Dr. Chen are deemed to be interested in the Shares held by Zenergy Investment, as of the Latest Practicable Date, they are also entitled to exercise control over the equity interests held by the Financial Investors, which amounts to 16.04% of the total issued share capital of our Company.

Therefore, as of the Latest Practicable Date, Ms. Cao and Dr. Chen are collectively deemed to be interested in a total of 64.60% of the total issued share capital of our Company under the SFO.

The AIC Agreements and Voting Proxy Agreements will terminate upon Listing. As such, immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Ms. Cao and Dr. Chen will be deemed under the SFO to be interested in the Shares held by the Management Shareholders only.

(4) The general partner of Xingsi Shenglian is Zhongjin (Fujian) Venture Capital Co., Ltd. (中金(福建)創業投資有限責任公司), which is held as to 80% by Lin Yongzhong (林永忠). Xingsi Shenglian is also held as to 99.9990% by Huafu Investment as its limited partner.

Huafu Investment is a wholly-owned subsidiary of Huafu Securities Co., Ltd. (華福證券有限責任公司), which is in turn held as to 46.72% by Fujian Financial Investment Co., Ltd. (福建省金融投資有限責任公司). Fujian Financial Investment Co., Ltd. is wholly owned by the Fujian Provincial Department of Finance (福建省財政廳). Therefore, by virtue of the SFO, each of Zhongjin (Fujian) Venture Capital Co., Ltd. and Lin Yongzhong is deemed to be interested in the Shares held by Xingsi Shenglian, and each of Huafu Securities Co., Ltd. and Fujian Financial Investment Co., Ltd. is deemed to be interested in the Shares held by Huafu Investment and Xingsi Shenglian.

(5) Southeast Investment holds 99.01% of Southeast Xinneng (which holds 1.10% of the total issued share capital of our Company as of the Latest Practicable Date) as its limited partner. Southeast Investment is held as to 99.96% by Southeast Investment Holding, which is a wholly-owned subsidiary of Changshu Hi-Tech Holding Co., Ltd. (常熟市高新控股有限公司), which is in turn wholly owned by the Changshu Finance Bureau (State-owned Assets Supervision and Administration Office of Changshu Municipal Government) (常熟市財政局(常熟市政府國有資產監督管理辦公室)). Therefore, by virtue of the SFO: (i) Southeast Investment is deemed to be interested in the Shares held by Southeast Xinneng; (ii) Southeast Investment Holding is deemed to be interested in the Shares held by Southeast Xinneng and Southeast Investment; and (iii) Changshu Hi-Tech Holding Co., Ltd. is deemed to be interested in the Shares held by Southeast Xinneng, Southeast Investment and Southeast Investment Holding.

(6) The general partner of Wuxi Zhenghai and Anhui Haichuang (which holds 0.55% of the total issued share capital of our Company as of the Latest Practicable Date) is Shanghai Royalsea Capital Management Ltd. (上海正海資產管理有限公司), which is held as to 51.36% by Wang Zhengdong (王正東). Therefore, by virtue of the SFO, each of Shanghai Royalsea Capital Management Ltd. and Wang Zhengdong is deemed to be interested in the Shares held by Wuxi Zhenghai and Anhui Haichuang.

This section presents certain information regarding our share capital before and upon completion of the Global Offering.

## BEFORE THE COMPLETION OF THE GLOBAL OFFERING

As of the Latest Practicable Date, the registered capital of our Company was RMB2,386,976,403, comprising 2,386,976,403 Unlisted Shares in issue of nominal value RMB1.00 each.

## UPON THE COMPLETION OF THE GLOBAL OFFERING

Immediately following the completion of the Global Offering and the conversion of certain Unlisted Shares into H Shares, assuming that the Over-allotment Option is not exercised, the share capital of our Company will be as follows:

| Description of Shares | Number of Shares | Approximate percentage of the total share capital |
|---|---|---|
| Unlisted Shares in issue | 1,069,127,364 | 42.62% |
| H Share to be converted from Unlisted Shares | 1,317,849,039 | 52.54% |
| H Shares to be issued under the Global Offering | 121,523,700 | 4.84% |
| **Total** | **2,508,500,103** | **100.00%** |

Immediately following the completion of the Global Offering and the conversion of certain Unlisted Shares into H Shares, assuming the Over-allotment Option is fully exercised, the issued share capital of our Company will be as follows:

| Description of Shares | Number of Shares | Approximate percentage of the total share capital |
|---|---|---|
| Unlisted Shares in issue | 1,069,127,364 | 42.31% |
| H Share to be converted from Unlisted Shares | 1,317,849,039 | 52.16% |
| H Shares to be issued under the Global Offering | 139,752,000 | 5.53% |
| **Total** | **2,526,728,403** | **100.00%** |

## RANKING

Upon completion of the Global Offering, the Shares will consist of H Shares and Unlisted Shares. H Shares and Unlisted Shares are all ordinary Shares in the share capital of our Company. However, apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai — Hong Kong Stock Connect or the Shenzhen — Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between investors of the PRC.

Unlisted Shares and H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this Prospectus. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Unlisted Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of Shares.

## CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

The Company has filed for a "full circulation" of the existing 1,317,849,039 Unlisted Shares into H Shares on a one-for-one basis, and submitted the application reports, authorization documents of the shareholders of Unlisted Shares for which an H-share "full circulation" are applied, explanation about the compliance of share acquisition and other documents in accordance with the requirements of the CSRC.

The relevant filings of the conversion of the existing 1,317,849,039 Unlisted Shares held by the existing Shareholders into H Shares on a one-for-one basis have been completed on February 19, 2025.

Upon completion of the Global Offering, all our Unlisted Shares (other than those to be converted to H Shares) are not listed or traded on any stock exchange. The holders of our Unlisted Shares may convert their Shares into H Shares provided such conversion shall have gone through any requisite internal approval process and complied with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the overseas stock exchange(s) and have completed the required filing with the securities regulatory authorities of the State Council, including the CSRC. The listing of such converted Shares on the Hong Kong Stock Exchange will also require the approval of the Hong Kong Stock Exchange.

Based on the procedures for the conversion of our Unlisted Shares into H Shares as disclosed in this section, we can apply for the listing of all or any portion of our Unlisted Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Shares after our initial listing on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it will not require such prior application for listing at the time of our initial listing in Hong Kong.

No class Shareholder voting is required for the listing and trading of the converted Shares on the Hong Kong Stock Exchange. Any application for listing of the converted Shares on the Hong Kong Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of such proposed conversion.

After all the requisite approvals have been obtained, the following procedures will need to be completed: the relevant Unlisted Shares will be withdrawn from the Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be on the condition that (a) our H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register of members and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Hong Kong Stock Exchange will comply with the Listing Rules and the General Rules of HKSCC and the HKSCC Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

For further details, see "Risk Factors—Risks Relating to the Global Offering—Substantial future sales or the expectation of substantial sales of our H Shares in the public market and conversion of our Unlisted Shares into H Shares could cause the price of our H Shares to decline and could materially impair our future ability to raise capital through offerings of our H Shares."

## TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

Pursuant to the PRC Company Law, our Shares issued prior to the Global Offering shall not be transferred within one year from the Listing Date. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons hold in our Company cannot be transferred within one year from the Listing Date, nor within half a year after they leave their positions as Directors, Supervisors or members of the senior management in our Company.

See "Underwriting—Underwriting Arrangements—Hong Kong Public Offering—Undertakings pursuant to the Hong Kong Underwriting Agreement" for details of the lock-up undertakings.

## PRE-IPO EQUITY INCENTIVE PLANS

We adopted the Pre-IPO Equity Incentive Plans, details of which are set forth in "Statutory and General Information—Pre-IPO Equity Incentive Plans" in Appendix IV to this Prospectus.

## GENERAL MANDATE TO ISSUE SHARES, SELL AND/OR TRANSFER TREASURY SHARES AND REPURCHASE MANDATE

Subject to the completion of the Global Offering, pursuant to the Shareholders resolutions of the Company, our Directors have been granted general unconditional mandates to issue our Shares and sell and/or transfer our Shares out of treasury that are held as treasury shares and repurchase our Shares. See "Statutory and General Information—Further Information about Our Company—Resolutions of our Shareholders" in Appendix IV to this Prospectus for further details.

## REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Guidelines on Application for the "Full Circulation" Program for Domestic Unlisted Shares of H-Share Listed Companies (《H股公司境內未上市股份申請"全流通"業務指引》) published and implemented by the CSRC on November 14, 2019, which was most recently amended on August 10, 2023, the domestic shareholders of our Shares that are not listed on the overseas stock exchange shall handle share conversion registration business in accordance with the relevant business rules of the CSDCC. Further, H-share companies should submit the relevant status reports to the CSRC within 15 days after the conversion registration with the CSDCC of such shares involved in the application is completed.

## SHAREHOLDERS' GENERAL MEETING

See Appendix III to this Prospectus for details of circumstances under which our general Shareholders' meeting is required.

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and notes included the accountants' report included in Appendix I of the Prospectus. The financial information as set out in the Accountants' Report incorporates the financial statements of the Company during the Track Record Period. You should read the whole Accountants' Report and not rely merely on the information in this section. For the purpose of this section, unless the context otherwise requires, references to 2021, 2022, 2023 and 2024 refer to our financial years ended December 31 of such years.*

*The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. You should not place undue reliance on any such statements. Our actual future results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors," "Forward-Looking Statements" and elsewhere in this Prospectus.*

## OVERVIEW

We are a lithium-ion battery manufacturer in China, committed to developing a diverse portfolio of market-driven and technology-fueled battery products. We primarily focus on the R&D, production and sales of EV battery products, ESS battery products and aviation battery products. We provide integrated battery solutions, encompassing battery cells, modules, packs, racks, and battery management systems dedicated to large-scale applications of electrochemical products to interconnect land, sea and air ("**LISA**").

During the Track Record Period, we experienced growth in our results of operations. Our revenue increased from RMB1,499.3 million in 2021 to RMB3,290.3 million in 2022, then to RMB4,161.7 million in 2023, and further to RMB5,130.3 million in 2024, representing a CAGR of 50.7%.

## SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our results of operations and financial condition during the Track Record Period had been affected by the following factors affecting the overall industry in which we operate:

- macroeconomic conditions and the growth of the EV market, fluctuations in demand for power batteries by EV companies, and overall growth of the ESS market;

- continuous investment and innovation in battery technology to improve product performance, safety and cost efficiency, catch up with cutting-edge technologies in the market and changing customer demands;

- fluctuations in EV sales and customer demand for EV batteries, including seasonality in EV sales volume; and

- government policies and regulations for NEVs and smart technology, such as subsidies for NEV purchases and government grants for NEV manufacturers.

**Specific Factors Affecting Our Results of Operations**

Besides the general factors affecting the industry, our business and results of operations are also affected by specific factors, including the following major factors:

***Our ability to attract new customers, design-wins and orders, as well as to retain and obtain more design-wins from existing customers***

We generated revenue primarily from sale of our battery products to OEM customers during the Track Record Period. Our ability to establish sales relationship with new customers through design-wins leads to more purchase orders, and in turn increases our sales revenue. We continuously improve the performance, safety and cost efficiency of our battery products to enhance our brand reputation, which helps attract new OEM customers. Our results of operations are also affected by demand from customers other than automobile OEMs, such as customers with energy storage needs in relation to (i) power-generation; (ii) industrial and commercial operations; and (iii) residential energy storage use cases. As we are developing aviation battery products, our results of operations are also affected by our ability to attract new customers in the low-altitude economy sector, which is expected to reach a market size of RMB1,000.0 billion in 2030, according to the "Implementing Measures for the Innovative Application of General Aviation Equipment (2024-2030)."

Our results of operations also depend on our ability to retain existing customers and obtain more design-wins on more vehicle models and more purchase orders from them. We begin our cooperation with OEM customers very early-on in the process to fully understand customer needs and the features and battery needs of their vehicle models (such as vehicle design, intended application scenarios, requirement for battery pack configuration and electrochemistries) and to customize our battery products. We also make detailed plans to ensure our manufacturing capacity can match customer orders to ensure we can timely fulfill customer orders without having excessive capacity. We also offer timely aftersales customer support to timely resolve any battery related issues that may arise from time to time. These above measures ensure smooth integration of our products into vehicle bodies as well as stable functioning of our products during their lifecycles, which we believe enhance customer satisfaction with our products, and thus lead to recurring order placements and improved results of operations.

***Manufacturing capacity management and expansion***

We strategically invest in expanding our manufacturing capacity based on market demand for our products, which on the one hand ensures we can timely fulfill customer orders, and on the other hand avoids excessive expenditure on facility expansion and inventory management. Leveraging our software-defined factory management capabilities, we have established a streamlined and efficient manufacturing process, which contributes to our ability to manage manufacturing costs and improve our profit margins. To match the expected changes in customer demand, we intend to continue to expand our manufacturing capacity and introduce advanced and highly intelligent equipment and manufacturing lines to save energy, reduce environmental impact, and improve manufacturing efficiency and product quality. We believe the above measures of manufacturing capacity management and expansion effectively enable us to deliver more products and generate more revenue, while optimizing our costs and profit margin.

***Fluctuation in raw material prices***

During the Track Record Period, the cost of raw materials, in particular the lithium carbonate prices, has been the largest component of our cost of sales. In 2021, 2022, 2023 and 2024, the cost of raw materials was RMB1,141.7 million, RMB2,565.6 million, RMB2,917.1 million, and RMB3,268.7 million, respectively, accounting for 77.7%, 71.7%, 73.8%, and 74.6% of our total cost of sales, respectively. Thus, the prices of key raw materials have a significant impact on our results of operations. According to Frost & Sullivan, the prices of key lithium sources, such as lithium carbonate and lithium hydroxide, experienced an increase between 2019 and 2022, followed by a significant decline in 2023 as the supply and demand dynamics gradually stabilized. Changes in raw material prices directly affect our cost of sales. Because we adjust the selling prices of our battery products based on fluctuations in raw material price, our revenue is also affected by fluctuations in raw material costs. In some of our sales contracts with customers, the price we charge does not change based on fluctuations in raw material prices. To the extent we cannot pass along the changes in raw material cost to our customers, our profit margin would also be affected by the changes in raw material price.

***Investment in R&D and expansion of diverse product portfolio***

Our investment in R&D not only enables us to develop our battery technologies that improve the performance, safety and cost efficiency of our battery products, but also to launch new products covering more comprehensive electrochemistry pathways and application scenarios. With understanding of OEM customers' demands to balance safety, quality, performance, and cost efficiency, we developed diverse EV battery products (covering battery products for BEV, PHEV, EREV and HEV vehicle models), and are proactively conducting R&D on aviation battery products, placing us in a favorable position of application scenario expansion and rapid technological iterations in the battery industry. We believe our R&D strategy enables us to address more market demands, expand our sales, and effectively compete against our competitors, which we believe positively affect our results of operations and financial condition.

***Seasonality***

According to Frost & Sullivan, the EV sales in China exhibit noticeable seasonality for a variety of reasons, including seasonal demand fluctuations, policy influences, holidays, and climate conditions, among others. EV sales in China in the second half of the year tends to be higher compared to the first half. Such changes in EV sales may impact OEM customers' manufacturing and battery procurement plan, which in turn may affect our results of operations within a specific year. We also experience seasonality in the sales of ESS products, with the first and last quarter of each year recording less sales compared to the second and third quarters.

***One-off Impact by an OEM Customer***

In November 2022, we ceased delivery of NCM battery products for application in BEVs to one of our OEM customers ("**WM Customer**") due to material adverse change in its business operations and WM Customer's prolonged delay and inability to settle their receivables (the "**WM Customer Incident**"). NCM batteries were the only products we sold to WM Customer. As a result, our sales volume of NCM batteries decreased from 2.9 GWh in 2022 to 1.5 GWh in 2023, and our revenue from the sales of NCM batteries decreased from RMB2,628.6 million in 2022 to RMB1,448.0 million in 2023. It takes a certain amount of time for us to develop business relationships with new customers, obtain design-wins, and ramp up mass production. Therefore, even though sales and delivery to WM Customer terminated in 2022, sales in 2023 was also adversely affected because we could not immediately make up for the purchase orders volume that would have been delivered and sold to WM Customer had WM Customer Incident not occurred.

The WM Customer Incident also led to an RMB422.3 million of impairment losses on our inventories in 2022, which materially adversely affected our cost of sales, gross loss margin and overall results of operations in the same year. The inventories manufactured for WM Customer were subsequently disposed as down-grade product at lower prices in 2023. The Nanjing Zenergy Facility where products for WM Customer were produced ceased substantial production in December 2022. For more details about the changes in business plans of Nanjing Zenergy, please see "Business—Manufacturing—Manufacturing Base."

We also recorded an RMB601.4 million impairment in trade receivables in 2022 which was due from WM Customer pursuant to the relevant accounting policies, judgments and estimates under IFRS, which significantly increased our impairment losses on financial assets and contract assets, net in 2022, and materially adversely affected our results of operations for the same year and our trade receivable balance and financial position as of December 31, 2022. The aggregate impairment in trade receivables and inventories in 2022 arising from the WM Customer Incident was RMB1,023.6 million.

However, we believe the impact of the WM Customer Incident was one-off in nature. We have implemented various remedial measures and enhanced our credit policies to reduce the risk of recurrence of similar incidents. Our enhanced credit approval process includes the following:

- *Enhanced Customer Selection and Development*: we implemented a more rigorous process for screening and expanding our customer base. Moving forward, we focus on OEM customers with strong backgrounds, including those affiliated with state-owned enterprises, multinational automotive companies, and publicly listed companies with proven track record of business operations in the NEV market. We closely monitor our OEM customers' vehicle sales performance, market ranking, overall financial and operational health, and payment timeliness and regularly track for any significant changes or negative news related to the customers. Historically, we have proactively exited relationships with higher-risk OEM customers based on our evaluations on the customers' credibility, background, shareholders, track record, credit terms, and payment history. As part of our internal management, the business team leads monthly product approval committee meetings to evaluate whether to expand relationships with specific customers or projects. For customers that do not meet our business development requirements or are deemed high-risk, the committee decides not to proceed with or further develop the relationship. We believe this reduces potential operational exposure to similar risks in the future. We would exit the relationships with a client upon learning any material adverse change in its operational or financial performance as we monitor each of our material clients through publicly available information. We also have a customer credit limit management policy in place, which outlines detailed procedures (including mechanism on adjusting credit period and credit limit for customers) for assessing customer creditworthiness and managing risks. For customers who fail to meet our standards or experience material adverse changes in their operations or financial performance, we promptly terminate the relationship in accordance with this policy and ensure no further exposure to the associated risks.

- *Establishment of dedicated committee*: we instituted a dedicated general manager's committee to evaluate and make decisions on products to be developed and produced. New projects and products must be approved by this committee before proceeding to development and production line modifications. This measure ensures that all customers and projects meet stringent quality and risk management standards before implementation.

- *Credit term*: we typically grant a credit term of 30 to 90 days for approved purchase orders from customer.

- *Data driven credit assessment*: based on customers' historical operational and payment records, as well as leveraging market information database, we timely evaluate and update customers' credit rating to reflect their changes, if any.

- *Automated credit approval process*: we enhanced credit approval efficiency leveraging an automated credit approval process under which credit profiles of customers are managed more accurately with less human errors, and orders from customers with favorable historical records can be approved with more efficiency.

- *Customer risk assessment*: for customers who had exceeded their credit terms for one or more past orders, our sales team must submit a special request for approval before new orders can be placed. Depending on the amount of past-due amount and the number of days past due, such special requests are presented for approval by different levels of management officers.

- *Ongoing monitoring*: we track the creditworthiness and determine and update the appropriate amount of credit that can be extended based on internal and public record and information. We require our sales team to generate periodic risk assessment reports to facilitate management's decision-making.

See "Business—Business Sustainability" for details on our subsequent measures to prevent similar incidents going forward. As of the Latest Practicable Date, there was no incident similar to the WM Customer Incident in the course of our operations.

***The Impact of COVID-19***

The outbreak of COVID-19 pandemic has materially and adversely affected the global economy since the first quarter of 2020. In response, the PRC government and the governments of other countries have implemented numerous anti-pandemic measures, including travel bans and restrictions, quarantines, remote work arrangement and shutdowns. Particularly, the emergence of the Omicron variant of COVID-19 in 2022 resulted in extended duration of aforementioned measures. However, substantially all of the cities in the PRC eased or lifted the restrictive measures in January 2023.

The COVID-19 pandemic has made it more restrictive for overseas raw material supplies to enter China due to customer control measures imposed during the COVID-19 pandemic, which partially led to a raw material shortage and drove up prices in 2021 and 2022. In addition, freight costs for overseas shipment also increased significantly during the COVID-19 pandemic, which also drove up the raw material prices. The COVID-19 pandemic also negatively affected the mobility of some of our employees.

However, the impact of COVID-19 on our overall production and R&D process was limited. During the Track Record Period and up to the Latest Practicable Date, we did not experience temporary closure or shutdown of our offices or production facilities due to the COVID-19 pandemic, and our production activities did not encounter any material disruption, nor has our product delivery been materially affected by the COVID-19 pandemic. In response to COVID-19, we implemented various precautionary measures in line with government guidelines and regulations to ensure that we could maintain our daily operation, production and R&D activities, and we incurred over RMB253.4 thousand to purchase facial masks, protective gears and disinfectants for pandemic prevention and control. Accordingly, our Directors believe that the outbreak of COVID-19 has not had, and will not have, any material adverse impact on our business, financial condition or results of operations.

## BASIS OF PRESENTATION AND PREPARATION

See Notes 2.1 and 2.2 of the accountants' report included in Appendix I to this Prospectus for details on our basis of presentation and preparation.

## MATERIAL ACCOUNTING POLICY INFORMATION AND MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATES

See Notes 2.4 and 3 of the accountants' report included in Appendix I to this Prospectus for details on our material accounting policy information and material accounting judgments and estimates.

### Accounting Policy Information Related to the Business Reorganization

Pursuant to the Business Reorganization, as more fully explained in "History, Reorganization and Corporate Structure—Corporate Development and Major Shareholding Changes—3. Business Reorganization of Our Group," our Group acquired businesses of Jiangsu TAFEL and its subsidiaries which were under the common control of the controlling shareholders before and after the Business Reorganization. Accordingly, the historical financial information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Business Reorganization had been completed at the beginning of the Track Record Period. Therefore, Jiangsu TAFEL is combined into our Group's financial statements since the beginning of the Track Record Period by applying the principles of merger accounting.

According to the terms of the Business Reorganization, our Group (i) undertook the business; (ii) acquired certain assets including properties, plant and equipment, other intangible assets, and part of the inventories; (iii) assumed provision for warranty claims and the personnel held by Jiangsu TAFEL that constitute a business combination; while other current assets and liabilities that do not constitute a business and are not related to our Group's long-term business operation and development were retained by Jiangsu TAFEL on February 28, 2022. From an accounting perspective, the assets and liabilities retained by Jiangsu TAFEL were deemed as disposal of assets by our Group in 2022 upon the Business Reorganization as all assets and liabilities of Jiangsu TAFEL had been included into our Group's financial statements since the beginning of the Track Record Period.

## RESULTS OF OPERATIONS

The following table sets forth our results of operations during the years indicated.

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | (RMB in thousands) | | | |
| **Revenue** | 1,499,296 | 3,290,253 | 4,161,670 | 5,130,317 |
| Cost of sales | | | | |
| Cost of sales of goods | (1,393,991) | (3,001,272) | (3,670,744) | (4,326,476) |
| Impairment losses on inventories | (75,127) | (579,261) | (282,437) | (55,397) |
| **Gross Profit/(Loss)** | 30,178 | (290,280) | 208,489 | 748,444 |
| Other income and gains | 20,833 | 48,954 | 49,265 | 78,738 |
| Selling and marketing expenses | (12,848) | (19,779) | (57,618) | (35,769) |
| Administrative expenses | (134,738) | (241,116) | (259,466) | (301,459) |
| Research and development expenses | (221,047) | (329,277) | (424,099) | (556,165) |
| Impairment losses on financial assets and contract assets, net | (22,457) | (600,057) | (10,837) | (9,705) |
| Other expenses | (1,400) | (267,524) | (11,568) | (14,952) |
| Finance costs | (70,217) | (32,892) | (73,451) | (132,585) |
| Share of profits/(losses) of joint ventures | – | 923 | (25,094) | 302,496 |
| (LOSS)/PROFIT BEFORE TAX | (411,696) | (1,731,048) | (604,379) | 79,043 |
| Income tax credit | 9,421 | 11,067 | 14,512 | 11,971 |
| **(LOSS)/PROFIT AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | (402,275) | (1,719,981) | (589,867) | 91,014 |
| (Loss)/profit attributable to: | | | | |
| Owners of the parent | (402,275) | (1,719,981) | (589,867) | 91,014 |
| (LOSS)/PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | | |
| Basic and diluted (RMB) | (0.26) | (1.01) | (0.31) | 0.04 |

## NON-IFRS MEASURE

Our consolidated financial information was prepared in accordance with IFRS. To supplement our consolidated results which were prepared and presented in accordance with IFRS, we use EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that the measure facilitates comparisons of operating performance from period to period and company to company by eliminating the potential impact of items, such as certain non-cash items. The use of the non-IFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, as a substitute for, analysis of, or superior to, our results of operations or financial condition as reported under IFRS. In addition, the non-IFRS measure may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies.

We define EBITDA (non-IFRS measure) as loss for the year adjusted by finance costs, depreciation and amortization, and income tax credit and interest income. We define adjusted EBITDA (non-IFRS measure) as EBITDA (non-IFRS measure) as adjusted by share-based payment expenses (which is non-cash in nature) and listing expenses. The following table sets forth a reconciliation of our EBITDA (non-IFRS measure) for 2021, 2022, 2023 and 2024 to the nearest measures prepared in accordance with IFRS.

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | | |
| **(Loss)/profit for the year** | **(402,275)** | **(1,719,981)** | **(589,867)** | **91,014** |
| Finance costs | 70,217 | 32,892 | 73,451 | 132,585 |
| Depreciation and amortization | 185,674 | 294,001 | 413,853 | 608,942 |
| Income tax credit | (9,421) | (11,067) | (14,512) | (11,971) |
| Interest income | (8,155) | (17,896) | (33,230) | (37,426) |
| **EBITDA (non-IFRS measure)** | **(163,960)** | **(1,422,051)** | **(150,305)** | **783,144** |
| Share-based payments | 22,611 | 35,038 | 43,934 | 58,875 |
| Listing expenses | – | – | – | 29,285 |
| **Adjusted EBITDA (non-IFRS measure)** | **(141,349)** | **(1,387,013)** | **(106,371)** | **871,304** |

## PRINCIPAL COMPONENTS OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### Revenue

#### *Revenue by Product Type*

We generate revenue primarily from the sales of our power battery and ESS products. See "Business—Products" for more details on the power battery and ESS products we sold during the Track Record Period. To a much lesser extent, we also generate revenue from (i) miscellaneous sales of down-grade products and waste materials; and (ii) technical support services on battery product development and testing (such as vibration testing, overheating protection testing, pressure testing, collision testing, heat dissipation testing, energy density testing) to enable OEM customers to successfully integrate our power batteries into their vehicle models. The following table sets forth a breakdown of our revenue by product type and downstream application during the years indicated, both in absolute amounts and as percentages of total revenue.

| | Year Ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | | 2024 | |
| | | % | | % | | % | | % |
| | (RMB in thousands, except for percentages) | | | | | | | |
| Power battery | 1,448,045 | 96.6 | 3,116,066 | 94.7 | 3,356,865 | 80.7 | 4,663,775 | 90.9 |
| *By product* | | | | | | | | |
| NCM | 1,448,045 | 96.6 | 2,628,589 | 79.9 | 1,447,995 | 34.8 | 1,357,268 | 26.5 |
| LFP | – | – | 487,477 | 14.8 | 1,908,870 | 45.9 | 3,306,507 | 64.4 |
| *By downstream application* | | | | | | | | |
| BEV | 1,447,952 | 96.6 | 3,103,107 | 94.3 | 2,370,954 | 57.1 | 3,012,278 | 58.7 |
| PHEV | – | – | 8,567 | 0.3 | 971,673 | 23.3 | 1,644,206 | 32.0 |
| Other applications(1) | 93 | 0.0 | 4,392 | 0.1 | 14,238 | 0.3 | 7,291 | 0.2 |
| ESS products | – | – | 2,768 | 0.1 | 315,306 | 7.6 | 213,409 | 4.2 |
| Other products and services(2) | 51,251 | 3.4 | 171,419 | 5.2 | 489,499 | 11.7 | 253,133 | 4.9 |
| Down-grade products(3) | 16,950 | 1.1 | 35,539 | 1.1 | 278,017 | 6.6 | 92,763 | 1.8 |
| Waste materials(4) | 27,485 | 1.8 | 109,540 | 3.3 | 132,554 | 3.2 | 130,249 | 2.5 |
| Others | 6,816 | 0.5 | 26,340 | 0.8 | 78,928 | 1.9 | 30,121 | 0.6 |
| **Total** | **1,499,296** | **100.0** | **3,290,253** | **100.0** | **4,161,670** | **100.0** | **5,130,317** | **100.0** |

*Notes:*

(1) Primarily include HEV and aviation applications.

(2) Primarily include the sales of down-grade products and waste materials, as well as the provision of technical support services.

(3) Revenue from the sale of down-grade products accounted for 6.6% of our total revenue in 2023, which was primarily due to the WM Customer Incident in 2022. After the WM Customer Incident, we sold inventories originally produced for WM Customer to other customers as down-grade products in 2023.

(4) Primarily include materials discarded during the production process, such as cathodes, anodes, battery cells, and scrap materials like copper foil and aluminum foil.

Our revenue from sales of down-graded products arose from 2021 to 2022 and further to 2023 when the finished battery products could no longer be sold to the originally intended OEMs because (i) sales to the intended OEM ceased (i.e. WM Customer); and (ii) the product experienced minor defects, such as scratches, unfit sizes or insufficient battery capacity, and could no longer meet the quality requirement of the intended OEM. The percentage of revenue from sales of down-graded products declined in 2024.

However, such down-grade products can still find alternative applications, such as energy storage and low-speed vehicles. We sell down-grade products to third parties specialized in the recycling of such battery products. Once classifying a product as "down-grade," we would relabel the relevant products and remove the logo of the originally intended customer of the relevant products to transfer them into down-grade products.

Our down-grade products may incur impairment of inventories. As our inventories are stated at the lower of cost and net realizable value and our provision for inventories is based on estimates of the realizable value with reference to the conditions of the inventories, together with the economic circumstances on the marketability of such inventories. In the case of down-grade products, impairment represents the difference between cost of producing the inventories (cost) and selling price of such inventory as down-grade products (net realizable value) when the net realizable value dropped to a level lower than the cost. The reasons for the lower price of down-grade products (which may give rise to inventory impairment) are primarily (i) change of intended use; and (ii) further processing needed by buyers. In particular:

- *Change in intended use*: In order for battery products to be integrated into a vehicle model, we must conduct customization work for the battery products to be used in the vehicle model and follow filing procedures as required by regulations. As such, battery products produced for one customer's vehicles could not be integrated into vehicle models of other OEMs. Therefore, the value of the down-grade product to other purchasers is lower compared to the originally intended customer.

- *Additional processing needed*: In addition, end-users of down-grade products must undergo additional processing on the down-grade products before they could be utilized in other application scenarios, which, according to customers of down-grade products, include energy storage and low-speed vehicles. This further suppresses the price at which purchasers are willing to purchase the down-grade products.

***Revenue by Region***

During the Track Record Period, we generated most of our revenue from operations in China. Our revenue from direct sales to overseas customers outside China was RMB0.3 million, RMB4.0 million, RMB78.7 million, and RMB34.9 million in 2021, 2022, 2023 and 2024, respectively. We also sold our products and provided services to the European Union during the Track Record Period, including power batteries, semifinished battery products and accessories, and technical services. Our revenue from sales and services to the European Union was nil, nil, RMB73.2 million, and RMB0.8 million in 2021, 2022, 2023, and 2024, respectively. During the Track Record Period, we generated a small portion of our revenue from the United States. Such direct sales to the United States primarily consisted of aviation battery products. Our revenue from the direct sales to the United States was nil, RMB0.6 million, RMB4.7 million, and RMB13.9 thousand in 2021, 2022, 2023, and 2024, respectively.

***Sales Volume and Average Selling Price of Battery Products***

The following table sets forth a breakdown of sales volume during the years indicated.

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(MWh)* | | | |
| Power Battery | 2,106.7 | 3,634.4 | 5,906.7 | 11,314.4 |
| *By Product* | | | | |
| NCM | 2,106.7 | 2,947.3 | 1,466.0 | 1,765.0 |
| LFP | – | 687.1 | 4,440.7 | 9,549.4 |
| *By downstream application* | | | | |
| BEV | 2,106.6 | 3,631.4 | 4,980.6 | 9,210.5 |
| PHEV | – | 2.4 | 924.5 | 2,095.0 |
| Other applications(1) | 0.1 | 0.6 | 1.5 | 8.8 |
| ESS products | – | 3.1 | 751.0 | 575.2 |

*Note:*

(1) Primarily include HEV and aviation applications.

The following table sets forth a breakdown of average selling price during the years indicated.

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(RMB/Wh)* | | | |
| Power battery | 0.69 | 0.86 | 0.57 | 0.41 |
| *By product* | | | | |
| NCM | 0.69 | 0.89 | 0.99 | 0.77 |
| LFP | – | 0.71 | 0.43 | 0.35 |
| *By downstream application* | | | | |
| BEV | 0.69 | 0.85 | 0.48 | 0.33 |
| PHEV | – | 3.59 | 1.05 | 0.78 |
| Other applications(1) | 0.62 | 6.88 | 9.31 | 0.83 |
| ESS products | – | 0.89 | 0.42 | 0.37 |

*Note:*

(1) Primarily include HEV and aviation applications.

The following table sets forth a breakdown of average unit cost of raw materials, unit manufacturing costs and unit labor costs for our power battery products, ESS battery products and down-grade products during the years indicated. For more details, please see "Business—Business Sustainability—Our Historical Results of Operations—Fluctuation in Raw Material Prices."

| | Year ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(RMB/Wh)* | | | |
| Unit cost of raw materials | 0.53 | 0.69 | 0.38 | 0.26 |
| Unit manufacturing costs | 0.05 | 0.04 | 0.03 | 0.04 |
| Unit labor costs | 0.04 | 0.03 | 0.03 | 0.02 |
| Average selling price | 0.69 | 0.88 | 0.54 | 0.41 |

## Cost of Sales

Our cost of sales primarily includes raw materials (particularly lithium carbonate), manufacturing expenses, staff compensation, other operating expenses, warranty expenses and impairment losses on inventories. The following table sets forth a breakdown of our cost of sales by nature during the years indicated, both in absolute amounts and as percentages of our total cost of sales.

| | Year Ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | | 2024 | |
| | | % | | % | | % | | % |
| | *(RMB in thousands, except for percentages)* | | | | | | | |
| Raw materials | 1,141,686 | 77.7 | 2,565,621 | 71.7 | 2,917,051 | 73.8 | 3,268,742 | 74.6 |
| Manufacturing costs | 117,355 | 8.0 | 134,249 | 3.7 | 262,294 | 6.6 | 529,643 | 12.1 |
| Labor costs | 76,544 | 5.2 | 105,480 | 2.9 | 247,944 | 6.3 | 275,548 | 6.3 |
| ***Subtotal*** | **1,335,585** | **90.9** | **2,805,350** | **78.3** | **3,427,289** | **86.7** | **4,073,933** | **93.0** |
| Other operating costs | 33,324 | 2.3 | 128,595 | 3.6 | 169,254 | 4.3 | 143,373 | 3.2 |
| Warranty costs | 25,082 | 1.7 | 67,327 | 1.9 | 74,201 | 1.9 | 109,170 | 2.5 |
| Impairment losses on inventories | 75,127 | 5.1 | 579,261 | 16.2 | 282,437 | 7.1 | 55,397 | 1.3 |
| **Total** | **1,469,118** | **100.0** | **3,580,533** | **100.0** | **3,953,181** | **100.0** | **4,381,873** | **100.0** |

The following table sets forth a breakdown of our raw materials by type, both in absolute amount and as percentages of total cost of sales.

| | Year Ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | | 2024 | |
| | | % | | % | | % | | % |
| | (RMB in thousands, except for percentages) | | | | | | | |
| Cathode materials | 644,131 | 56.5 | 1,631,577 | 63.7 | 1,503,681 | 51.5 | 1,254,526 | 38.4 |
| Anode materials | 194,447 | 17.0 | 329,606 | 12.8 | 513,004 | 17.6 | 702,547 | 21.5 |
| Electrolyte | 134,061 | 11.7 | 201,218 | 7.8 | 214,480 | 7.4 | 180,549 | 5.5 |
| Separation film | 61,622 | 5.4 | 124,178 | 4.8 | 119,446 | 4.1 | 161,865 | 5.0 |
| Others[(1)] | 107,425 | 9.4 | 279,042 | 10.9 | 566,440 | 19.4 | 969,255 | 29.6 |
| **Total** | **1,141,686** | **100.0** | **2,565,621** | **100.0** | **2,917,051** | **100.0** | **3,268,742** | **100.0** |

*Note:*

(1) Primarily include raw materials used in battery cells (such as caps and aluminum shells) and battery packs (such as exterior boxes and various electrical instruments). These materials account for a relatively high percentage of total raw material costs in 2024, primarily because of the increase in sale of battery packs in 2024 which led to an increase in battery pack related raw material costs while the costs of cathode material decreased since 2023 which led to a relatively lower percentage in 2024 compare to the total cost of raw materials.

The following table sets forth a breakdown of our cost of sales by product type and downstream application during the years indicated, both in absolute amounts and as percentages of our total cost of sales.

| | Year Ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | | 2024 | |
| | | % | | % | | % | | % |
| | (RMB in thousands, except for percentages) | | | | | | | |
| Power battery | 1,339,662 | 91.2 | 2,827,885 | 79.0 | 2,925,482 | 74.0 | 3,899,940 | 89.0 |
| *By product* | | | | | | | | |
| NCM | 1,339,662 | 91.2 | 2,409,273 | 67.3 | 1,257,029 | 31.8 | 1,153,058 | 26.3 |
| LFP | – | – | 418,612 | 11.7 | 1,668,453 | 42.2 | 2,746,882 | 62.7 |
| *By downstream application* | | | | | | | | |
| BEV | 1,339,578 | 91.2 | 2,815,857 | 78.7 | 2,085,660 | 52.8 | 2,550,935 | 58.2 |
| PHEV | – | – | 8,379 | 0.2 | 826,619 | 20.9 | 1,344,773 | 30.7 |
| Other applications[(1)] | 84 | 0.0 | 3,649 | 0.1 | 13,203 | 0.3 | 4,232 | 0.1 |
| ESS products | – | – | 2,330 | 0.1 | 289,805 | 7.3 | 188,938 | 4.3 |
| Others[(2)] | 54,329 | 3.7 | 171,057 | 4.7 | 455,457 | 11.5 | 237,598 | 5.4 |
| Impairment losses on inventories | 75,127 | 5.1 | 579,261 | 16.2 | 282,437 | 7.2 | 55,397 | 1.3 |
| **Total** | **1,469,118** | **100.0** | **3,580,533** | **100.0** | **3,953,181** | **100.0** | **4,381,873** | **100.0** |

*Notes:*

(1) Primarily include HEV and aviation applications.

(2) Primarily include the sales of down-grade products and waste materials, as well as the provision of technical support services.

**Impairment losses on inventories**

Impairment losses on inventories are recognized only if the carrying amount of inventories exceeds the recoverable amount. We assess the recoverable amount of inventories at the end of each year during the Track Record Period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, we estimate new recoverable amount and adjust impairment losses accordingly. See Note 2.4 of the accountants' report included in Appendix I to this Prospectus for further details on accounting information regarding impairment losses.

Impairment losses on inventories were RMB75.1 million, RMB579.3 million, RMB282.4 million, and RMB55.4 million in 2021, 2022, 2023 and 2024, respectively. The significant impairment losses in 2022 were primarily due to the WM Customer Incident. We recorded RMB422.3 million of impairment on inventories in relation to inventories manufactured for WM Customer which were subsequently disposed as down-grade product at lower prices in 2023. Down-grade products typically arise when the finished battery products could no longer be sold to the originally intended OEMs. In WM Customer's case, the battery products originally produced for WM Customer could no longer be delivered to WM Customer due to the WM Customer Incident. To recoup our cost of manufacturing such products, we found alternative customers for such battery products and disposed them as down-grade products at a discount. This leads to the net realizable value which is equivalent to the price of the down-grade products, being lower than the inventory's carrying amount, thus leading to impairment losses in 2022. See "—Significant factors affecting our financial condition and results of operations—Specific factors affecting our results of operations" for more details.

The significant impairment losses of RMB157.0 million in 2022 (inventory impairment losses in 2022 beyond those of RMB422.3 million caused by the WM Customer Incident) and in 2023 were primarily due to a significant decrease in overall prices of raw materials in the industry, mainly including lithium carbonate, whose average price increased from RMB131,100 per ton in 2021 to RMB496,100 per ton in 2022, and subsequently decreased to RMB258,700 per ton in 2023. As a result, the average price for LFP battery products increased significantly from RMB0.51 per Wh in 2021 to RMB0.80 per Wh in 2022, and decreased to RMB0.62 per Wh in 2023. This led to a decrease in the net realizable value of inventories to below their carrying amount at the time of impairment assessment on December 31, 2022 and 2023.

### Gross Profit/(Loss) and Gross Profit/(Loss) Margin

The following table sets forth a breakdown of our gross profit/(loss) and gross profit/(loss) margin by product type and downstream application during the years indicated.

| | Year Ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | | 2024 | |
| | Gross profit/(loss) | Gross profit/(loss) margin | Gross profit/(loss) | Gross profit/(loss) margin | Gross profit/(loss) | Gross profit/(loss) margin | Gross profit/(loss) | Gross profit/(loss) margin |
| | | % | | % | | % | | % |
| | *(RMB in thousands, except for percentages)* | | | | | | | |
| Power battery | 108,383 | 7.5 | 288,181 | 9.2 | 431,383 | 12.9 | 763,835 | 16.4 |
| *By product* | | | | | | | | |
| NCM | 108,383 | 7.5 | 219,316 | 8.3 | 190,966 | 13.2 | 204,210 | 15.0 |
| LFP | – | – | 68,865 | 14.1 | 240,417 | 12.6 | 559,625 | 16.9 |
| *By downstream application* | | | | | | | | |
| BEV | 108,374 | 7.5 | 287,250 | 9.3 | 285,294 | 12.0 | 461,343 | 15.3 |
| PHEV | – | – | 188 | 2.2 | 145,054 | 14.9 | 299,433 | 18.2 |
| Other applications(1) | 9 | 9.7 | 743 | 16.9 | 1,035 | 7.3 | 3,059 | 42.0 |
| ESS products | – | – | 438 | 15.8 | 25,501 | 8.1 | 24,471 | 11.5 |
| Other products and services(2) | (3,078) | (6.0) | 362 | 0.2 | 34,042 | 7.0 | 15,535 | 6.1 |
| Down-grade products | (4,054) | (23.9) | (6,918) | (19.5) | (8,193) | (2.9) | (1,461) | (1.6) |
| Waste materials(3) | 261 | 0.9 | (5,427) | (5.0) | (7,855) | (5.9) | 463 | 0.4 |
| Others | 715 | 10.5 | 12,707 | 48.2 | 50,090 | 63.5 | 16,533 | 54.9 |
| Impairment losses on inventories | (75,127) | N/A | (579,261) | N/A | (282,437) | N/A | (55,397) | N/A |
| **Total** | **30,178** | **2.0** | **(290,280)** | **(8.8)** | **208,489** | **5.0** | **748,444** | **14.6** |

*Notes:*

(1) Primarily include HEV and aviation applications.

(2) Primarily include the sales of down-grade products and waste materials, as well as the provision of technical support services. We recorded gross loss of RMB3.1 million and gross loss margin of 6.0% for other products in 2021, primarily due to the gross loss for down-grade products, which were sold at low prices.

(3) Primarily include materials discarded during the production process, such as cathodes, anodes, battery cells, and scrap materials like copper foil and aluminum foil.

### Other Income and Gains

Our other income and gains primarily include government grants, interest income, investment income on structured deposits and wealth management products, fair value gains on financial assets at fair value through profit and loss, and gain on disposal of property, plant and equipment. The following table sets forth a breakdown of our other income and gains during the years indicated.

| | Year Ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | | 2024 | |
| | | % | | % | | % | | % |
| | (RMB in thousands, except for percentages) | | | | | | | |
| **Other income** | | | | | | | | |
| Government grants | 6,088 | 29.2 | 5,067 | 10.4 | 889 | 1.8 | 38,387 | 48.8 |
| Interest income | 8,155 | 39.1 | 17,896 | 36.6 | 33,230 | 67.5 | 37,426 | 47.5 |
| Others | 4,712 | 22.7 | 1,804 | 3.6 | 7,192 | 14.6 | 1,754 | 2.2 |
| Total other income | 18,955 | 91.0 | 24,767 | 50.6 | 41,311 | 83.9 | 77,567 | 98.5 |
| **Gains** | | | | | | | | |
| Investment income on structured deposits and wealth management products | 1,775 | 8.5 | 9,501 | 19.4 | 6,596 | 13.4 | 205 | 0.3 |
| Fair value gains on financial assets at fair value through profit or loss | – | – | 6,395 | 13.1 | – | – | – | – |
| Foreign exchange gains, net | 2 | 0.0 | 58 | 0.1 | – | – | 966 | 1.2 |
| Gains on remeasurement of lease payment | – | – | – | – | 35 | 0.1 | – | – |
| Gain on disposal of items of property, plant and equipment and other intangible assets | 101 | 0.5 | 8,233 | 16.8 | 1,323 | 2.6 | – | – |
| Total gains | 1,878 | 9.0 | 24,187 | 49.4 | 7,954 | 16.1 | 1,171 | 1.5 |
| Total other income and gains | 20,833 | 100.0 | 48,954 | 100.0 | 49,265 | 100.0 | 78,738 | 100.0 |

### Selling and Marketing Expenses

Our selling and marketing expenses primarily include staff compensation expenses, advertising and promotion expenses, travel and entertainment expenses, consulting expenses, and share-based payment expenses. The following table sets forth a breakdown of our selling and marketing expenses during the years indicated, both in absolute amounts and as percentages of total selling and marketing expenses.

| | Year Ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | | 2024 | |
| | | % | | % | | % | | % |
| | *(RMB in thousands, except for percentages)* | | | | | | | |
| Staff compensation | 4,010 | 31.2 | 8,093 | 40.9 | 16,854 | 29.3 | 15,598 | 43.6 |
| Advertising and promotion | 715 | 5.6 | 2,746 | 13.9 | 22,065 | 38.3 | 4,249 | 11.9 |
| Travel and entertainment | 2,012 | 15.7 | 2,393 | 12.1 | 7,376 | 12.8 | 4,488 | 12.5 |
| Consulting | 1,693 | 13.2 | 1,943 | 9.8 | 4,369 | 7.6 | 5,346 | 14.9 |
| Share-based payment | 3,464 | 27.0 | 2,757 | 13.9 | 3,334 | 5.8 | 3,463 | 9.7 |
| Others[1] | 954 | 7.3 | 1,847 | 9.4 | 3,620 | 6.2 | 2,625 | 7.4 |
| **Total** | **12,848** | **100.0** | **19,779** | **100.0** | **57,618** | **100.0** | **35,769** | **100.0** |

*Note:*

1. Others primarily include miscellaneous consumables, utilities and office expenses, and lease expenses.

### Administrative Expenses

Our administrative expenses primarily include staff compensation expenses, depreciation and amortization expenses, share-based payment expenses, office related expenses (such as utilities, insurance, rent, and property management fees), recruiting expenses, legal and professional service expenses, and travel expenses. The following table sets forth a breakdown of our administrative expenses during the years indicated, both in absolute amounts and as percentages of total administrative expenses.

| | Year Ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | | 2024 | |
| | | % | | % | | % | | % |
| | *(RMB in thousands, except for percentages)* | | | | | | | |
| Staff compensation | 60,482 | 44.9 | 109,569 | 45.4 | 126,128 | 48.6 | 110,908 | 36.9 |
| Depreciation and amortization | 23,693 | 17.6 | 57,249 | 23.7 | 55,239 | 21.3 | 74,268 | 24.6 |
| Share-based payment | 7,795 | 5.8 | 16,497 | 6.8 | 25,346 | 9.8 | 36,654 | 12.2 |
| Office related expenses | 21,977 | 16.3 | 25,736 | 10.7 | 16,809 | 6.5 | 12,506 | 4.1 |
| Recruiting | 2,007 | 1.5 | 7,999 | 3.3 | 11,732 | 4.5 | 3,061 | 1.0 |
| Legal and professional service | 6,443 | 4.8 | 7,928 | 3.3 | 8,115 | 3.1 | 10,573 | 3.5 |
| Travel | 1,212 | 0.9 | 1,627 | 0.7 | 3,294 | 1.3 | 1,920 | 0.6 |
| Listing expenses | – | – | – | – | – | – | 29,285 | 9.7 |
| Others[1] | 11,129 | 8.2 | 14,511 | 6.1 | 12,803 | 4.9 | 22,284 | 7.4 |
| **Total** | **134,738** | **100.0** | **241,116** | **100.0** | **259,466** | **100.0** | **301,459** | **100.0** |

*Note:*

1. Others primarily include tax, such as stamp duty.

## Research and Development Expenses

Our research and development expenses primarily include staff compensation expenses, depreciation and amortization expenses, utilities, materials and consumables consumed in our R&D activities, experiment fees to carry out our R&D projects, and share-based payment expenses. The following table sets forth a breakdown of our research and development expenses during the years indicated, both in absolute amounts and as percentages of total research and development expenses.

| | Year Ended December 31, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | 2023 | | 2024 | |
| | | % | | % | | % | | % |
| | (RMB in thousands, except for percentages) | | | | | | | |
| Staff compensation | 95,349 | 43.1 | 145,900 | 44.3 | 189,260 | 44.6 | 258,094 | 46.4 |
| Depreciation and amortization | 79,764 | 36.1 | 82,454 | 25.0 | 102,008 | 24.1 | 144,869 | 26.0 |
| Utilities | 13,077 | 5.9 | 26,834 | 8.1 | 48,472 | 11.4 | 60,168 | 10.8 |
| Materials and consumables | 11,611 | 5.3 | 35,152 | 10.7 | 34,370 | 8.1 | 32,735 | 5.9 |
| Experiment fees | 9,710 | 4.4 | 11,324 | 3.4 | 22,828 | 5.4 | 22,865 | 4.1 |
| Share-based payment | 8,196 | 3.7 | 13,947 | 4.2 | 13,642 | 3.2 | 17,070 | 3.1 |
| Others[(1)] | 3,340 | 1.5 | 13,666 | 4.3 | 13,519 | 3.2 | 20,364 | 3.7 |
| **Total** | **221,047** | **100.0** | **329,277** | **100.0** | **424,099** | **100.0** | **556,165** | **100.0** |

*Note:*

1. Others primarily include expenses in relation to repair and maintenance expenses and technical consulting fees (which primarily relate to patent application fees). Others increased significantly from RMB3.3 million in 2021 to RMB13.7 million in 2022, primarily due to an increase in repair expenses and patent application fees, which is in turn driven by the amount of repair and patent application work conducted in 2022.

## Impairment Losses on Financial Assets and Contract Assets, Net

Our impairment losses on financial assets and contract assets, net primarily represent credit loss. Our impairment losses were RMB22.5 million, RMB600.1 million, RMB10.8 million, and RMB9.7 million in 2021, 2022, 2023 and 2024, respectively. The significant impairment loss on financial assets in 2022 was primarily due to the WM Customer Incident. See "—Significant factors affecting our financial condition and results of operations—Specific factors affecting our results of operations" for more details.

### Finance Costs

Our finance costs primarily include interest on interest-bearing bank and other borrowings and interest on lease liabilities. The following table sets forth a breakdown of our finance costs and as percentages of our total finance costs for the years indicated.

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | (RMB in thousands) | | | |
| Interest on interest-bearing bank and other borrowings | 65,578 | 64,859 | 134,475 | 136,493 |
| Interest on lease liabilities | 6,170 | 13,292 | 11,089 | 9,597 |
| Subtotal | 71,748 | 78,151 | 145,564 | 146,090 |
| Less: Interest capitalised | (1,531) | (45,259) | (72,113) | (13,505) |
| **Total** | **70,217** | **32,892** | **73,451** | **132,585** |

### Share of Profits/(Losses) of Joint Ventures

Our share of profits/(losses) of joint ventures primarily represents the amount of profits and losses attributable to our Group as a result of the business operations of our joint ventures, namely STAES and Jiangsu Aiev.

## YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

### Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

#### *Revenue*

Our revenue increased by 23.3% from RMB4,161.7 million in 2023 to RMB5,130.3 million in 2024, primarily due to an increase in our sales volume of power batteries from 5,906.7 MWh in 2023 to 11,314.4 MWh in 2024. Specifically:

- Our revenue from the sales of NCM battery decreased from RMB1,448.0 million in 2023 to RMB1,357.3 million in 2024, primarily due to a decrease in its average selling price, which is primarily due to changes in overall raw material prices in the industry; partially offset by an increase in its sales volume.

- Our revenue from the sales of LFP batteries increased from RMB1,908.9 million in 2023 to RMB3,306.5 million in 2024, primarily due to an increase in its sales volume from 4,440.7 MWh in 2023 to 9,549.4 MWh in 2024, partially offset by a decrease in its average selling price, which is primarily due to changes in overall raw material prices in the industry.

- Our revenue from the sales of ESS products decreased from RMB315.3 million in 2023 to RMB213.4 million in 2024, primarily due to a decrease in sales volume of ESS products from 751.0 MWh in 2023 to 575.2 MWh in 2024, as well as a decrease in the average selling price of ESS products, which is primarily due to changes in overall raw material prices in the industry. The number of our ESS customers decreased from 36 in 2023 to 34 in 2024.

Changes in our revenue from power battery products were also driven by the following changes in the vehicle models for which our batteries are designed. Specifically:

- Our revenue from the sales of BEV battery products increased from RMB2,371.0 million in 2023 to RMB3,012.3 million in 2024, primarily due to an increase in sale volume from 4,980.6 MWh in 2023 to 9,210.5 MWh in 2024 as we began mass production and delivery of more BEV battery products; partially offset by a decrease in average selling price of BEV battery products, which is primarily due to changes in overall raw material prices in the industry.

- Our revenue from the sales of PHEV battery products increased significantly from RMB971.7 million in 2023 to RMB1,644.2 million in 2024, primarily due to a significant increase in its sales volume from 924.5 MWh in 2023 to 2,095.0 MWh in 2024 as we began mass production and delivery of more PHEV battery products, partially offset by a decrease in average selling price of PHEV battery products, which is primarily due to changes in overall raw material prices in the industry.

***Cost of Sales***

Our cost of sales increased by 10.8% from RMB3,953.2 million in 2023 to RMB4,381.9 million in 2024, primarily due to the significant increase in sales volume of our various batteries products, which led to significant increases in raw material costs, manufacturing costs and labor costs. This is partially offset by (i) a decrease in raw material prices in 2024; and (ii) a decrease in impairment losses on inventories in 2024 as the decline in raw material prices was less significant compared to 2023, leading to a smaller disparity between the market value and cost. Specifically:

- Our cost of sales of NCM battery decreased from RMB1,257.0 million in 2023 to RMB1,153.0 million in 2024, primarily due to a decrease in the overall price of raw materials in the industry.

- Our cost of sales of LFP batteries increased from RMB1,668.5 million in 2023 to RMB2,746.9 million in 2024, primarily due to an increase in sales volume of LFP batteries from 4,440.7 MWh to 9,549.4 MWh, partially offset by a decrease in the overall price of raw materials.

- Our cost of sales of ESS products decreased from RMB289.8 million in 2023 to RMB189.0 million in 2024, primarily due to a decrease in sales volume of ESS products from 751.0 MWh to 575.2 MWh, and a decrease in raw material prices in the industry.

Changes in cost of sales of power battery products were also driven by the following changes in the vehicle models for which our batteries are designed. Specifically:

- Our cost of sales of BEV battery products increased from RMB2,085.7 million in 2023 to RMB2,550.9 million in 2024, primarily due to an increase in sales volume from 4,980.6 MWh to 9,210.5 MWh, partially offset by a decrease in raw material prices.

- Our cost of sales of PHEV battery products increased from RMB826.6 million in 2023 to RMB1,344.8 million in 2024, primarily due to a significant increase in sales volumes of PHEV battery products from 924.5 MWh to 2,095.0 MWh, partially offset by a decrease in raw material prices.

***Gross Profit/(Loss) and Gross Profit/(Loss) Margin***

As a result of the above, we had gross profit of RMB208.5 million and RMB748.4 million in 2023 and 2024, respectively. Our gross profit margin was 5.0% and 14.6% in 2023 and 2024, respectively.

Our gross profit margin for NCM products increased from 13.2% in 2023 to 15.0% in 2024, primarily due to (i) a decrease in overall unit cost of raw materials, which declined by 31.6% from RMB0.38 per Wh in 2023 to RMB0.26 per Wh in 2024, in particular, the cost of raw materials of one of our battery module products which contributed 18.9% of our revenue from NCM products in 2024 decreased by approximately 33.8% while the its average selling price decreased by approximately 14.8%. The overall decrease in unit cost of raw materials was partially offset by a 22.2% decrease in average selling price for NCM batteries from RMB0.99 per Wh in 2023 to RMB0.77 per Wh in 2024; and (ii) an increase in the sales volume of NCM batteries from 1,446.0 MWh in 2023 to 1,765.0 MWh in 2024, which led to decrease in overall unit labor costs from RMB0.03 per Wh in 2023 to RMB0.02 per Wh in 2024.

Our gross profit margin for LFP products increased from 12.6% in 2023 to 16.9% in 2024, primarily due to (i) recent mass-produced LFP PHEV products had higher gross profit margin as compared to our general gross profit margin for LPF. Such products accounted for approximately 17.1% of total LFP revenue, contributing to an overall higher profit margin for LFP products. This higher gross profit margin of the respective products was largely due to higher selling prices during the initial mass production phase, which are typically adjusted downward over time as production scales and market competition intensifies in the new energy battery industry; and (ii) decrease in unit cost of raw material, which declined by 31.6% from RMB0.38 per Wh in 2023 to RMB0.26 per Wh in 2024. It was partially offset by a 18.6% decrease in average selling price for LFP batteries from RMB0.43 per Wh in 2023 to RMB0.35 per Wh in 2024. Additionally, the total labor cost savings for LFP products also contributed to the gross profit margin improvement, which was in turn due to an increase in the sales volume of LFP batteries from 4,440.7 MWh in 2023 to 9,549.4 MWh in 2024 that led to a decrease in overall unit labor costs from RMB0.03 per Wh in 2023 to RMB0.02 per Wh in 2024.

Our gross profit margin for ESS products increased from 8.1% in 2023 to 11.5% in 2024, primarily due to the fact that our ESS products sold in 2024 are produced and sold on demand, reflecting the current lower raw material costs and avoiding inventory-related expenses, while our ESS products sold in 2023 were manufactured earlier by us when raw material prices were higher and were held in inventory for longer period of time, leading to higher production and carrying costs.

Our gross profit margin for others under "other products and services" decreased from 7.0% in 2023 to 6.1% in 2024, primarily due to sales of pole pieces of RMB72.2 million in 2023 to an OEM customer. The pole pieces, also referred to as electrodes, are conductors in a battery where reduction reactions occur. Pole pieces include cathode and anodes. The pole pieces we sold were semi-finished products of our battery products. Our customers buy cathodes and anodes from us and use them for product development and equipment testing. We were able to record a relatively high gross profit margin for such sales of pole pieces due to the stringent and highly specific quality and product requirements by the OEM customer. We believe the sales of pole pieces serve as a critical step in potentially establishing further battery sales relationships with this OEM customer in the future.

***Other Income and Gains***

Our other income and gains increased by 59.8% from RMB49.3 million in 2023 to RMB78.7 million in 2024, primarily due to an RMB37.5 million increase in government grants which was mainly attributable to the introduction of the additional value-added tax credit policy for advanced manufacturing enterprises.

***Selling and Marketing Expenses***

Our selling and marketing expenses decreased by 37.8% from RMB57.6 million in 2023 to RMB35.8 million in 2024, primarily due to (i) an RMB17.8 million decrease in advertising and promotion expenses primarily due to more product launch events adopting live-streamed format with reduced offline expenses; and (ii) an RMB2.9 million decrease in travel and entertainment.

***Administrative Expenses***

Our administrative expenses increased by 16.2% from RMB259.5 million in 2023 to RMB301.5 million in 2024, primarily due to (i) an RMB19.0 million increase in depreciation and amortization driven by an increase in our buildings and other office equipment and electronic devices as we expanded our business scale; and (ii) an RMB29.3 million increase in listing expenses.

***Research and Development Expenses***

Our research and development expenses increased by 31.1% from RMB424.1 million in 2023 to RMB556.2 million in 2024, primarily due to (i) an RMB68.8 million increase in staff compensation driven by the increase in R&D headcount; (ii) an RMB43.0 million increase in depreciation and amortization driven by an increase in our R&D facilities; and (iii) an RMB11.7 million increase in utilities expenses as we conducted more R&D activities.

***Impairment Losses on Financial Assets***

Our impairment losses on financial assets remained relatively stable at RMB10.8 million and RMB9.7 million in 2023 and 2024, respectively.

***Other Expenses***

Our other expenses increased by 29.3% from RMB11.6 million in 2023 to RMB15.0 million in 2024, primarily due to the loss on asset disposal.

***Finance Costs***

Our finance costs increased from RMB73.5 million in 2023 to RMB132.6 million in 2024, primarily due to (i) a decrease in capitalized interest driven by the capitalization of phase II of our Changshu Zenergy facility; and (ii) an increase in our interest-bearing bank borrowing.

***Share of Profits/(Losses) of Joint Ventures***

Our share of losses of joint ventures was RMB25.1 million in 2023, primarily due to losses incurred by Jiangsu Aiev who ceased production in 2023. Our share of profits of joint ventures was RMB302.5 million in 2024, primarily due to the investment income of RMB293.7 million from STAES and RMB8.8 million from Jiangsu Aiev.

***Loss/(Profit) for the Year***

As a result of the foregoing, we recorded net loss of RMB589.9 million in 2023 and net profit of RMB91.0 million in 2024.

**Year Ended December 31, 2023 Compared to Year Ended December 31, 2022**

***Revenue***

Our revenue increased by 26.5% from RMB3,290.3 million in 2022 to RMB4,161.7 million in 2023, primarily due to an increase in our sales volume of power batteries from 3,634.4 MWh in 2022 to 5,906.7 MWh in 2023. Specifically:

- Our revenue from the sales of NCM battery decreased from RMB2,628.6 million in 2022 to RMB1,448.0 million in 2023, primarily due to the WM Customer Incident and a general development market demand for other electrochemistry systems such as LFP. It takes a certain amount of time for us to develop business relationships with new customers, obtain design-wins, and ramp up mass production. Therefore, even though sales and delivery to WM Customer terminated in 2022, sales in 2023 was also adversely affected because we could not immediately make up for the purchase orders volume that would have been delivered and sold to WM Customer had WM Customer Incident not occurred. Our revenue from NCM battery products was primarily generated from battery modules and battery packs. Battery packs in general have higher selling prices than battery modules. Therefore, an increase in the percentage of revenue from battery packs would contribute to an increase in average selling price. In 2022, our revenue generated from battery modules and battery packs contributed to 89.9% and 0.3% of the total revenue of NCM battery products, with average selling prices of RMB0.89 per Wh and RMB1.96 per Wh, respectively. In 2023, revenues generated from battery modules and battery packs contributed to 29.4% and 68.3% of the total revenue of NCM battery products, with average selling prices of RMB0.86 per Wh and RMB1.05 per Wh. Therefore, although the selling prices of each of NCM battery modules and battery packs fell in 2023 due to fluctuations in key raw material prices, the overall selling price of NCM battery products increased in 2023 due to the shift in product sales mix.

- Our revenue from the sales of LFP battery increased from RMB487.5 million in 2022 to RMB1,908.9 million in 2023, primarily due to an increase in sales volume of our LFP batteries from 687.1 MWh in 2022 to 4,440.7 MWh in 2023; partially offset by a decrease in average selling price of our LFP batteries, primarily driven by a decrease in cost of key raw materials such as lithium iron phosphate from 2022 to 2023.

- Our revenue from the sales of ESS products increased from RMB2.8 million in 2022 to RMB315.3 million in 2023, primarily due to an increase in sales volume from 3.1 MWh in 2022 to 751.0 MWh in 2023, and an increase in the number of ESS customers from four in 2022 to 36 in 2023. The significant growth in 2023 was due to the fact that we only recorded revenue from testing projects of ESS projects in 2022 and commenced mass production of ESS products in May 2023, resulting in the quick ramping up of ESS revenue in 2023.

- Our revenue from the sales of other goods increased from RMB171.4 million in 2022 to RMB489.5 million in 2023, primarily due to an increase in sales of down-grade products as a result of the WM Customer Incident and the sale of related inventories as down-grade products and waste materials.

Changes in our revenue from power battery products were also driven by the following changes in the vehicle models for which our batteries are designed. Specifically:

- Our revenue from the sales of BEV decreased from RMB3,103.1 million in 2022 to RMB2,371.0 million in 2023, primarily due to a decrease in average selling price of BEV batteries, driven by a decrease in prices of lithium iron phosphate, as well as the impact of the WM Customer Incident.

- Our revenue from the sales of PHEV increased from RMB8.6 million in 2022 to RMB971.7 million in 2023, primarily because we began mass production of PHEV power battery products in 2023 with total sales volume of 924.5 MWh, while in 2022 we only had sales of a small amount of PHEV battery products.

***Cost of Sales***

Our cost of sales increased by 10.4% from RMB3,580.5 million in 2022 to RMB3,953.2 million in 2023, primarily due to an RMB385.1 million increase cost of sales of goods driven by an increase in sales volume of our power batteries and ESS products, partially offset by a decrease in impairment losses on inventories. In 2022, we incurred RMB579.3 million in impairment losses on inventories primarily as a result of the WM Customer Incident. See "—Significant factors affecting our financial condition and results of operations—Specific factors affecting our results of operations" for more details. In 2023, we incurred RMB282.4 million in impairment losses on inventories, primarily due to a significant decrease in overall prices of raw materials in the industry, which led to a decrease in expected selling price and impairment of ESS product inventories. Changes in our cost of sales are more specifically due to the following:

- Our cost of sales of NCM battery decreased from RMB2,409.3 million in 2022 to RMB1,257.0 million in 2023, primarily due to (i) a decrease in sales volume from 2,947.3 MWh in 2022 to 1,466.0 MWh in 2023 driven by the WM Customer Incident; and (ii) a decrease in the cost of NCM battery raw materials.

- Our cost of sales of LFP battery increased from RMB418.6 million in 2022 to RMB1,668.5 million in 2023, primarily due to a significant increase in sales volume of LFP battery products from 687.1 MWh in 2022 to 4,440.7 MWh in 2023, which called for increases in LFP battery manufacturing related costs for labor and raw materials consumed.

- Our cost of sales of ESS products increased from RMB2.3 million in 2022 to RMB289.8 million in 2023, primarily due to an increase in our sales volume of ESS products in 2023.

Changes in cost of sales of power battery products were also driven by the following changes in the vehicle models for which our batteries are designed. Specifically:

- Our cost of sales of BEV decreased from RMB2,815.9 million in 2022 to RMB2,085.7 million in 2023, primarily due to a decrease in the raw material cost, as well as the impact of the WM Customer Incident.

- Our cost of sales of PHEV increased from RMB8.4 million in 2022 to RMB826.6 million in 2023, primarily due to the commencement of mass production and delivery of batteries to PHEV models in the second half of 2023.

### *Gross Profit/(Loss) and Gross Profit/(Loss) Margin*

As a result of the above, we had gross loss of RMB290.3 million and gross loss margin of 8.8% in 2022, and gross profit of RMB208.5 million and gross profit margin of 5.0% in 2023. Our gross loss position in 2022 was primarily due to an RMB422.3 million impairment loss on inventories as a result of the WM Customer Incident. See "—Significant factors affecting our financial condition and results of operations—Specific factors affecting our results of operations" for more details. The above RMB422.3 million impairment loss on inventories was included in the calculation of cost of sales in 2022. Therefore, such impairment contributed to the gross loss position in 2022. In 2023, we moved into gross profit position because our impairment losses significantly declined as the impact of the WM Customer Incident on inventory impairment in 2022 did not carry over to 2023; this was partially offset by the impairment losses caused by a decrease in prices of raw materials in 2023 such as lithium carbonate, which led to a decrease in expected selling price and impairment of ESS product inventories. Such decrease in expected selling price and impairment of ESS product inventories also led to a decrease in gross profit margin of ESS products from 15.8% in 2022 to 8.1% in 2023. Changes in gross profit margin to 5.0% in 2023 was primarily due to an increase in gross profit margin for NCM products from 8.3% in 2022 to 13.2% in 2023, primarily due to our newly mass-produced NCM PHEV products, which have a higher project gross profit margin. Our gross profit margin for LFP products decreased from 14.1% in 2022 to 12.6% in 2023, primarily due to intensified market competition in 2023, which led to a decline in the selling price of lithium iron phosphate battery products and consequently caused a drop in the gross profit margin.

Our gross profit margin for others under "other products and services" increased from 0.2% in 2022 to 7.0% in 2023, primarily due to sales of pole pieces of RMB72.2 million in 2023 to an OEM customer. The pole pieces, also referred to as electrodes, are conductors in a battery where reduction reactions occur. Pole pieces include cathode and anodes. The pole pieces we sold were semi-finished products of our battery products. Our customers buy cathodes and anodes from us and use them for product development and equipment testing. We were able to record a relatively high gross profit margin for such sales of pole pieces due to the stringent and highly specific quality and product requirements by the OEM customer. We believe the sales of pole pieces serve as a critical step in potentially establishing further battery sales relationships with this OEM customer in the future.

### *Other Income and Gains*

Our other income and gains remained relatively stable at RMB49.0 million in 2022 and RMB49.3 million in 2023.

### *Selling and Marketing Expenses*

Our selling and marketing expenses increased significantly from RMB19.8 million in 2022 to RMB57.6 million in 2023, primarily due to (i) an RMB19.3 million increase in advertising and business promotion expenses as we devoted more efforts to promote our brand image and attended more trade shows; (ii) an RMB8.8 million increase in staff compensation expenses as we increased the headcount of our selling and marketing personnel; and (iii) an RMB2.4 million increase in consulting service expenses as we engaged consulting services to explore sales opportunities in overseas markets.

***Administrative Expenses***

Our administrative expenses increased by 7.6% from RMB241.1 million in 2022 to RMB259.5 million in 2023, primarily due to an increase in our administrative headcount to support our growing business scale.

***Research and Development Expenses***

Our research and development expenses increased by 28.8% from RMB329.3 million in 2022 to RMB424.1 million in 2023, primarily due to (i) an RMB43.4 million increase in staff compensation expenses due to an increase in headcount of our R&D personnel; (ii) an RMB19.6 million increase in depreciation and amortization and an RMB21.6 million increase in utilities expenses as we used more facilities to conduct R&D activities; and (iii) an RMB11.5 million increase in experiment expenses.

***Impairment Losses on Financial Assets***

Our impairment losses on financial assets decreased by 98.2% from RMB600.1 million in 2022 to RMB10.8 million in 2023, primarily because in 2022 we incurred an RMB601.4 million impairment loss to our trade receivables as a result of the WM Customer Incident. See "—Significant factors affecting our financial condition and results of operations—Specific factors affecting our results of operations" for more details.

***Other Expenses***

Our other expenses decreased by 95.7% from RMB267.5 million in 2022 to RMB11.6 million in 2023, primarily due to changes in business plans of Nanjing Zenergy and Dongguan Zenergy, which had a significant impact on our financial performance in 2022 and 2023 which resulted in impairment losses to property, plant and equipment of RMB244.6 million and RMB7.0 million in 2022 and 2023, respectively. After considering the significant conversion costs we would need to incur to adapt the Nanjing Zenergy production lines to new battery products and technologies which we developed in recent years, we decided to substantially cease the operations of Nanjing Zenergy facility. As a result, we incurred significant impairment loss of the property, plant and equipment in 2022. For details and circumstances leading to the changes in business plans of Nanjing Zenergy and Dongguan Zenergy, please see "Business—Manufacturing—Manufacturing Base." We engaged an independent third-party valuer to assess the value of their properties and equipment. Based on such assessment, we concluded that recording of impairment of RMB244.6 million in 2022 and RMB7.0 million in 2023 in relation to the above subsidiaries was appropriate.

*Finance Costs*

Our finance costs increased significantly from RMB32.9 million in 2022 to RMB73.5 million in 2023, primarily due to an increase in interest on interest-bearing bank and other borrowings.

*Impact of WM Customer*

In November 2022, we ceased delivery of NCM battery products for application in BEVs to WM Customer due to the WM Customer Incident. Such cancellation has largely contributed to the decline in the sales volume of our NCM batteries from 2.9 GWh in 2022 to 1.5 GWh in 2023, and our revenue from the sales of NCM batteries from RMB2,628.6 million in 2022 to RMB1,448.0 million in 2023.

We also recorded an RMB601.4 million and RMB422.3 million impairment in trade receivables and inventories, respectively, in 2022, as a direct result of the WM Customer Incident pursuant to the relevant accounting policies, judgments and estimates under IFRS, which materially adversely affected our results of operations for the same year and our trade receivable balance and financial position as of December 31, 2022. The aggregate impairment in trade receivables and inventories in 2022 arising from the WM Customer Incident was RMB1,023.6 million.

As discussed in more details above, our overall results of operations improved in 2023, partially because impairment in trade receivables and inventories in relation to WM Customer did not impact our results of operations in 2023. However, certain impact of the WM Customer Incident carried over to 2023. It takes a certain amount of time for us to develop business relationships with new customers, obtain design-wins, and ramp up mass production. Therefore, even though sales and delivery to WM Customer terminated in 2022, sales in 2023 was also adversely affected because we could not immediately make up for the purchase orders volume that would have been delivered and sold to WM Customer had WM Customer Incident not occurred. We have also enhanced our internal control procedures on customer credit approval when establishing sales relationships with potential customers, focusing on their creditworthiness to avoid future occurrence of such incidents.

*Loss for the Year*

As a result of the foregoing, our loss for the year decreased from RMB1,720.0 million in 2022 to RMB589.9 million in 2023.

### Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

*Revenue*

Our revenue increased significantly from RMB1,499.3 million in 2021 to RMB3,290.3 million in 2022, primarily due to (i) an increase in our sales volume of power batteries from 2,106.7 MWh in 2021 to 3,634.4 MWh in 2022; and (ii) an increase in average selling prices for our battery products. Specifically:

- Our revenue from the sales of NCM battery increased from RMB1,448.0 million 2021 to RMB2,628.6 million in 2022, primarily due to (i) an increase in sales volume of NCM batteries from 2,106.7 MWh to 2,947.3 MWh; and (ii) an increase in overall raw material prices in the industry, which drives an increase in selling price of NCM batteries.

- Our revenue from the sales of LFP battery increased from nil in 2021 to RMB487.5 million in 2022, primarily because we began sales of LFP battery products in 2022.

- Our revenue from the sales of other goods increased from RMB51.3 million in 2021 to RMB171.4 million in 2022, primarily due to an increase in sales of waste materials of approximately RMB82.1 million which is in line with the expansion of our business scale.

*Cost of Sales*

Our cost of sales increased significantly from RMB1,469.1 million in 2021 to RMB3,580.5 million in 2022, primarily due to the changes in the following business lines:

- Our cost of sales of NCM battery increased from RMB1,339.7 million 2021 to RMB2,409.3 million in 2022, primarily due to (i) an increase in sales volume of NCM batteries from 2,106.7 MWh to 2,947.3 MWh; and (ii) an increase in overall raw material prices in the industry.

- Our cost of sales of LFP battery increased from nil in 2021 to RMB418.6 million in 2022, primarily because we began sales of LFP battery products in 2022.

- Our cost of sales of other goods increased from RMB54.3 million in 2021 to RMB171.1 million in 2022, primarily due to an increase in sales of waste materials which is in line with growth in our business scale.

***Gross Profit/(Loss) and Gross Profit/(Loss) Margin***

Our gross profit of RMB30.2 million and gross profit margin of 2.0% in 2021 turned into gross loss of RMB290.3 million and gross loss margin of 8.8% in 2022, primarily due to the WM Customer Incident which led to significant impairment losses on inventories. Our gross profit margin for NCM products increased from 7.5% in 2021 to 8.3% in 2022, primarily due to our NCM battery sales that increased from 2,106.7 MWh in 2021 to 2,947.3 MWh in 2022, which led to economies of scale as fixed cost of sales (such as manufacturing costs) did not experience increase at a similar rate.

***Other Income and Gains***

Our other income increased from RMB20.8 million in 2021 to RMB49.0 million in 2022, primarily due to (i) an RMB9.7 million increase in interest income driven by an increase in our bank balances; and (ii) an RMB7.7 million investment income on structured deposits and wealth management products.

***Selling and Marketing Expenses***

Our selling and marketing expenses increased significantly from RMB12.8 million in 2021 to RMB19.8 million in 2022, primarily due to (i) an RMB4.1 million increase in staff compensation expenses driven by an increase in headcount of our sales and marketing personnel; and (ii) an RMB2.0 million increase in advertising and business promotion expenses as we devoted more efforts to promote our brand image.

***Administrative Expenses***

Our administrative expenses increased by 79.0% from RMB134.7 million in 2021 to RMB241.1 million in 2022, primarily due to (i) an RMB49.1 million increase in staff compensation expenses driven by an increase in headcount of our administrative personnel; (ii) an RMB33.6 million increase in depreciation and amortization expenses driven by expanded use of facilities by our administrative staff due to its expansion in size; (iii) an RMB8.7 million increase in share-based payment expenses driven by the grant of share incentives in March 2022; and (iv) an RMB6.0 million increase in recruitment expenses to expand our employee pool to support our growing business operations.

***Research and Development Expenses***

Our research and development expenses increased by 49.0% from RMB221.0 million in 2021 to RMB329.3 million in 2022, primarily due to (i) an RMB50.6 million increase in staff compensation expenses due to an increase in headcount of our R&D personnel; (ii) an RMB23.5 million increase in raw materials and consumables expenses driven by an increase in R&D activities we conducted to develop and launch new battery products; (iii) an RMB13.8 million increase in utilities expenses as we used more facilities to conduct R&D activities; and (iv) an RMB5.8 million increase in share-based payment expenses driven by the grant of share incentives in March 2022.

***Impairment (Losses)/Gains on Financial Assets***

Our impairment losses on financial assets increased significantly from RMB22.5 million in 2021 to RMB600.1 million in 2022, primarily because in 2022 we incurred an RMB601.4 million impairment loss to our trade receivables as a result of the WM Customer Incident. See "—Significant factors affecting our financial condition and results of operations—Specific factors affecting our results of operations" for more details.

***Other Expenses***

Our other expenses increased significantly from RMB1.4 million in 2021 to RMB267.5 million in 2022, primarily due to changes in business plans of Nanjing Zenergy, which had a significant impact on our financial performance in 2022 which resulted in impairment losses to property, plant and equipment. After considering the significant conversion costs we would need to incur to adapt the Nanjing Zenergy production lines to new battery products and technologies which we developed in recent years, we decided to substantially cease the operations of Nanjing Zenergy facility. For details and circumstances leading to the changes in business plans of Nanjing Zenergy and Dongguan Zenergy, please see "Business—Manufacturing—Manufacturing Base." We engaged an independent third-party valuer to assess the value of their properties and equipment. Based on such assessment, we concluded that recording of impairment of RMB244.6 million in relation to the above subsidiaries was appropriate.

***Loss for the Year***

As a result of the foregoing, our loss for the year increased from RMB402.3 million in 2021 to RMB1,720.0 million in 2022.

## DISCUSSION OF MAJOR ITEMS IN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth details of a summary of our consolidated statements of financial position as of the dates indicated.

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | (RMB in thousands) | | | |
| **NON-CURRENT ASSETS** | | | | |
| Property, plant and equipment | 1,413,220 | 4,707,407 | 5,618,993 | 5,704,152 |
| Right-of-use assets | 441,850 | 303,119 | 257,403 | 226,422 |
| Goodwill | – | 1,277 | 1,277 | 1,277 |
| Other intangible assets | 592,251 | 549,059 | 491,492 | 423,079 |
| Investment in joint ventures | – | 64,537 | 3,350,901 | 3,467,173 |
| Prepayments, other receivables and other assets | 398,664 | 154,282 | 55,364 | 39,812 |
| **Total non-current assets** | **2,845,985** | **5,779,681** | **9,775,430** | **9,861,915** |
| **Total current assets** | **2,969,015** | **4,671,136** | **4,355,352** | **5,732,316** |
| **Total current liabilities** | **3,397,917** | **5,287,822** | **6,150,006** | **6,496,681** |
| **NET CURRENT LIABILITIES** | **(428,902)** | **(616,686)** | **(1,794,654)** | **(764,365)** |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **2,417,083** | **5,162,995** | **7,980,776** | **9,097,550** |
| **NON-CURRENT LIABILITIES** | | | | |
| Interest-bearing bank and other borrowings | – | 2,310,258 | 2,841,494 | 2,768,659 |
| Lease liabilities | 311,882 | 207,537 | 175,769 | 146,034 |
| Provision | 33,934 | 87,823 | 145,979 | 227,741 |
| Deferred tax liabilities | 90,712 | 84,813 | 70,301 | 57,994 |
| **Total non-current liabilities** | **436,528** | **2,690,431** | **3,233,543** | **3,200,428** |
| **NET ASSETS** | **1,980,555** | **2,472,564** | **4,747,233** | **5,897,122** |
| **EQUITY** | | | | |
| Equity attributable to owners of the parent | | | | |
| Share capital/Paid-in capital | 1,552,495 | 1,881,850 | 2,255,935 | 2,386,976 |
| Reserves | 428,060 | 590,714 | 2,491,298 | 3,510,146 |
| **Total Equity** | **1,980,555** | **2,472,564** | **4,747,233** | **5,897,122** |

**Current Assets and Current Liabilities**

The following table sets forth our current assets and liabilities as of the dates indicated.

| | As of December 31, | | | | As of February 28, |
|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 |
| | *(RMB in thousands)* | | | | |
| | | | | | *(unaudited)* |
| **CURRENT ASSETS** | | | | | |
| Inventories | 709,539 | 1,012,920 | 613,756 | 678,712 | 1,088,618 |
| Trade and bills receivables | 309,874 | 326,487 | 1,147,380 | 1,623,305 | 861,188 |
| Bills receivables at fair value through other comprehensive income | – | – | – | 92,936 | 302,919 |
| Contract assets | 11,675 | 1,951 | 6,496 | 5,144 | 5,144 |
| Prepayments, other receivables and other assets | 150,169 | 195,699 | 81,136 | 73,361 | 491,241 |
| Financial assets at fair value through profit or loss | – | 1,162,565 | – | – | – |
| Restricted bank balances | 1,020,347 | 1,035,350 | 472,305 | 957,804 | 1,013,734 |
| Time deposits | – | – | – | 101,982 | 102,050 |
| Cash and cash equivalents | 767,411 | 936,164 | 2,034,279 | 2,199,072 | 1,501,256 |
| **Total current assets** | **2,969,015** | **4,671,136** | **4,355,352** | **5,732,316** | **5,366,150** |
| **CURRENT LIABILITIES** | | | | | |
| Trade and bills payables | 1,813,289 | 3,012,332 | 3,415,854 | 3,742,586 | 3,707,040 |
| Other payables and accruals | 342,349 | 1,480,456 | 1,945,523 | 1,427,848 | 1,303,093 |
| Contract liabilities | 40,855 | 145,385 | 44,662 | 14,756 | 12,827 |
| Interest-bearing bank and other borrowings | 1,159,664 | 579,134 | 694,137 | 1,245,825 | 1,093,335 |
| Lease liabilities | 36,674 | 34,046 | 27,021 | 30,397 | 30,482 |
| Tax payable | – | 23,511 | – | 266 | – |
| Provision | 5,086 | 12,958 | 22,809 | 35,003 | 36,194 |
| **Total current liabilities** | **3,397,917** | **5,287,822** | **6,150,006** | **6,496,681** | **6,182,971** |
| **NET CURRENT LIABILITIES** | **(428,902)** | **(616,686)** | **(1,794,654)** | **(764,365)** | **(816,821)** |

We intend to adopt the following measures to narrow our net current liabilities position and to turn into net current assets position going forward:

- *Efficiency*: we plan to continue to improve the cost and operational efficiency, and more effectively monitor and control cash expenditure. We believe as we further expand our business scale, especially with the further ramp-up of our Changshu Zenergy facility, we are well positioned to enhance economies of scale, and improve our results of operations, including our profit margins and liquidity position.

- *Expansion of business scale*: we plan to continue to expand our manufacturing capacity to fulfill more customer orders, increase sales volume and market share to generate more revenue, improve our results of operations, and generate more cash and other assets from operating activities.

- *Borrowings*: we intend to monitor and control our short-term and long-term borrowings in light of actual business needs in order to optimize our liability position. In particular, we intend to optimize our long-term versus short-term borrowing structure to avoid strains on our liquidity caused by sudden and significant amount of borrowing due within one year.

- *Equity financing*. We intend to leverage equity financing to improve our liquidity position and realize net current asset position.

Our net current liabilities increased from RMB764.4 million as of December 31, 2024 to RMB816.8 million as of February 28, 2025, primarily due to (i) an RMB762.1 million decrease in trade and bills receivables; and (ii) an RMB697.8 million decrease in cash and cash equivalents, and partially offset by (i) an RMB417.9 million increase in prepayments, other receivables and other assets, which was primarily due to (a) the addition of RMB296 million in dividends receivable from STAES, (b) a payment of RMB60.1 million as a performance guarantee in relation to the acquisition of the leasehold land of our New Changshu Facility and (c) an increase of RMB54.7 million in recoverable VAT credit; and (ii) an RMB409.9 million increase in inventories.

Our net current liabilities decreased from RMB1,794.7 million as of December 31, 2023 to RMB764.4 million as of December 31, 2024, primarily due to (i) an increase in trade and bills receivables from RMB1,147.4 million to RMB1,623.3 million; and (ii) an RMB485.5 million increase in restricted bank balances.

Our net current liabilities increased from RMB616.7 million as of December 31, 2022 to RMB1,794.7 million as of December 31, 2023, primarily due to (i) an RMB1,162.6 million decrease in financial assets at fair value through profit or loss; (ii) an RMB563.0 million decrease in restricted bank balances, (iii) an RMB465.1 million increase in other payables and accruals; and (iv) an RMB403.5 million increase in trade and bills payables, and partially offset by (i) an RMB1,098.1 million increase in cash and cash equivalents; and (ii) an RMB820.9 million increase in trade and bills receivables.

Our net current liabilities increased from RMB428.9 million as of December 31, 2021 to RMB616.7 million as of December 31, 2022, primarily due to (i) an RMB1,138.1 million increase in other payables and accruals; and (ii) an RMB1,199.0 million increase in trade and bills payables, and partially offset by (i) an RMB1,162.6 million increase in financial assets at fair value through profit or loss; (ii) an RMB580.5 million decrease in interest-bearing bank and other borrowings; and (iii) an RMB303.4 million increase in inventories.

**Property, Plant and Equipment**

Our property, plant and equipment primarily include buildings, machinery, office equipment and electronic devices, vehicles, leasehold improvements and construction in progress. We had property, plant and equipment of RMB1,413.2 million, RMB4,707.4 million, RMB5,619.0 million and RMB5,704.2 million as of December 31, 2021, 2022, 2023 and 2024, respectively. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated.

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | | |
| Buildings | 272,137 | 441,237 | 1,626,991 | 1,597,226 |
| Machinery | 641,955 | 1,527,550 | 2,471,099 | 3,470,734 |
| Office equipment and electronic devices | 18,632 | 24,574 | 25,227 | 24,487 |
| Vehicles | 6,362 | 14,134 | 13,726 | 10,122 |
| Leasehold improvements | 131,045 | 272,255 | 277,072 | 274,451 |
| Construction in progress | 343,089 | 2,427,657 | 1,204,878 | 327,132 |
| **Total** | **1,413,220** | **4,707,407** | **5,618,993** | **5,704,152** |

Our property, plant and equipment increased by 233.1% from RMB1,413.2 million as of December 31, 2021 to RMB4,707.4 million as of December 31, 2022, primarily because we began construction of our Changshu Yinhe and phase II of Changshu Zenergy manufacturing bases in the fourth quarter of 2021 and recognized substantial buildings, construction in progress, and machinery in relation to those two bases.

Our property, plant and equipment increased by 19.4% from RMB4,707.4 million as of December 31, 2022 to RMB5,619.0 million as of December 31, 2023, primarily due to the further construction of phase II of Changshu Zenergy.

Our property, plant and equipment increased by 1.5% from RMB5,619.0 million as of December 31, 2023 to RMB5,704.2 million as of December 31, 2024, primarily due to completion of our manufacturing lines.

*Impairment of Non-Financial Assets*

We conducted impairment testing for our non-financial assets and assessed whether the carrying amount of an asset exceeds its recoverable amount. Due to changes in business plans, which led to the cessation of substantial production at Nanjing Zenergy in December 2022, and cessation of production activities at Dongguan Zenergy in February 2023, respectively, we have engaged external experts to perform an impairment assessment on the recoverable amounts of their property, plant and equipment. As a result of such assessment (which considered similar assets or observable market prices, as well as costs arising from disposal), we determined that the recoverable amounts for the properties, plants, and equipment of Nanjing Zenergy and Dongguan Zenergy were below their carrying values. Accordingly, we recorded impairment losses of nil, RMB244.6 million, RMB7.0 million and nil in 2021, 2022, 2023 and 2024, respectively. For more details, please see Note 13 to the Accountants' Report in Appendix I to this Prospectus. For more details about the cessation of production activities of Nanjing Zenergy and Dongguan Zenergy, please see "Business—Manufacturing—Manufacturing Bases" in this Prospectus.

For assets in continuous use, we compared their carrying amounts to their recoverable amounts, defined by their value in use. Value in use is calculated as the present value of expected future cash flows from an asset or cash-generating unit ("CGU"). We estimated the expected future cash flows from the cash-generating unit and selected the suitable discount rate in order to calculate the present value of those cash flows. These cash flow projections are based on financial budgets approved by senior management, reflecting past performance and industry expectations, with consideration of the remaining useful lives of the assets. We engaged an independent external valuer to estimate the recoverable amounts of the CGUs. Our assessments showed that the value in use exceeded the carrying amounts for these non-financial assets, and thus, no impairment was recognized during the Track Record Periods.

**Right-of-Use Assets**

Our right-of-use assets primarily relate to our leased properties and land use rights. Changes in right-of-use assets from RMB441.9 million as of December 31, 2021 to RMB303.1 million as of December 31, 2022, primarily due to early termination of leases. Our right-of-use assets subsequently decreased to RMB257.4 million as of December 31, 2023 and RMB226.4 million as of December 31, 2024 were primarily due to depreciation of right-of-use assets.

**Other Intangible Assets**

Our other intangible assets primarily include trademarks, patents and software. Changes in other intangible assets from RMB592.3 million as of December 31, 2021 to RMB549.1 million as of December 31, 2022 and from RMB491.5 million as of December 31, 2023 to RMB423.1 million as of December 31, 2024 were primarily due to amortization, partially offset by increases in software from RMB13.2 million as of December 31, 2021 to RMB34.2 million, RMB47.4 million and RMB47.8 million as of December 31, 2022, 2023 and 2024, respectively, primarily due to the purchase of software for our business operations.

**Investment in Joint Ventures**

Our investment in joint ventures was nil, RMB64.5 million, RMB3,350.9 million and RMB3,467.2 million as of December 31, 2021, 2022, 2023 and 2024, respectively. In December 2023, we acquired a 50% equity interest in STAES in order to expand our influence in the HEVs industry. The total consideration was approximately RMB3,311.0 million, which is comprised of cash consideration of RMB496.0 million and share consideration of RMB2,815.0 million. STAES is considered our material joint venture and is accounted for using the equity method. In the one month ended December 31, 2023 and the year of 2024, STAES recorded revenue of RMB657.0 million and RMB6,665.3 million, respectively, and recorded profit for the year of RMB29.7 million and RMB587.3 million, respectively. See note 16 to the accountants' report included in Appendix I of the Prospectus for more details.

**Inventories**

Our inventories primarily consist of raw materials, work in progress and finished goods. Our inventories increased from RMB709.5 million as of December 31, 2021 to RMB1,012.9 million as of December 31, 2022, and then decreased to RMB613.8 million as of December 31, 2023, and subsequently increased to RMB678.7 million as of December 31, 2024. The following table sets forth a breakdown of our inventories as of the dates indicated.

| | As of December 31, | | | |
|---|---|---|---|---|
| | **2021** | **2022** | **2023** | **2024** |
| | *(RMB in thousands)* | | | |
| Raw materials | 179,768 | 232,176 | 168,100 | 202,140 |
| Work in progress | 73,989 | 68,722 | 93,864 | 132,688 |
| LFP battery products | 113 | 26,304 | 25,905 | 118,206 |
| NCM battery products | 71,940 | 39,243 | 67,132 | 10,600 |
| Others | 1,936 | 3,175 | 827 | 3,882 |
| Finished goods | 502,804 | 1,270,612 | 542,511 | 377,122 |
| LFP battery products | 1,758 | 198,465 | 440,926 | 300,926 |
| NCM battery products | 500,968 | 1,071,993 | 101,485 | 74,897 |
| Others | 78 | 154 | 100 | 1,299 |
| | 756,561 | 1,571,510 | 804,475 | 711,950 |
| Less: Provision for inventories | (47,022) | (558,590) | (190,719) | (33,238) |
| **Total** | **709,539** | **1,012,920** | **613,756** | **678,712** |

Our raw materials increased from RMB179.8 million as of December 31, 2021 to RMB232.2 million as of December 31, 2022, primarily due to an increase in overall price of raw materials in the industry. Our raw materials subsequently decreased to RMB168.1 million as of December 31, 2023, primarily because we began mass production of LFP batteries in the second half of 2022, and began procuring lithium iron phosphate, which significantly lower the prices compared to raw materials for NCM batteries. Additionally, the prices of raw materials for NCM batteries also declined after 2022. Our raw materials subsequently increased to RMB202.1 million as of December 31, 2024, primarily due to an increase in order at hand which led to an increase in raw material procurement.

Our work in progress remained relatively stable at RMB74.0 million as of December 31, 2021 and RMB68.7 million as of December 31, 2022. Our work in progress subsequently increased to RMB93.9 million as of December 31, 2023 and RMB132.7 million as of December 31, 2024, respectively, primarily due to the further ramp-up of our manufacturing facilities and expansion in production scale to meet customer demands.

Our finished goods increased from RMB502.8 million as of December 31, 2021 to RMB1,270.6 million as of December 31, 2022, primarily due to an increase in the overall prices of raw materials in the industry as well as an increase in sales volume which led to an increase in finished goods reserve. Our finished goods subsequently decreased to RMB542.5 million as of December 31, 2023, primarily because we began manufacturing LFP batteries in the second half of 2022, and began procuring lithium iron phosphate, which has significantly lower prices compared to raw materials of our NCM batteries. Additionally, the prices of raw materials of our NCM batteries also declined after 2022. Our finished goods further decreased to RMB377.1 million as of December 31, 2024, primarily because our sales volume increased and we enhanced inventory management that resulted in enhanced inventory turnover.

Our provision for inventories was RMB47.0 million, RMB558.6 million, RMB190.7 million and RMB33.2 million as of December 31, 2021, 2022, 2023 and 2024. The significant provision for inventories as of December 31, 2022 was primarily due to sale of certain inventories originally manufactured for WM Customer as down-grade products after the WM Customer Incident. The subsequent provision for inventories of RMB190.7 million as of December 31, 2023 and RMB33.2 million as of December 31, 2024 was primarily due to a decrease in overall raw material prices in the industry which led to a decrease in selling prices of finished goods.

Our inventory turnover days was 130.1 days, 87.8 days, 75.1 days and 53.8 days in 2021, 2022, 2023 and 2024, respectively. The decrease in inventory turnover days from 2021 to 2023 and further to 2024 was primarily due to our enhanced inventory management in an effort to improve our warehousing efficiency. The following table sets forth our inventory turnover days for the years indicated.

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| Inventory turnover days[(1)] | 130.1 | 87.8 | 75.1 | 53.8 |

*Note:*

(1) Inventory turnover days were calculated based on the average of opening and closing inventory balance (net of provision for inventories) for the relevant period, divided by the cost of sales for the same period, and multiplied by the number of days in that period.

The following table sets forth an aging analysis of our inventories as of the dates indicated.

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | | |
| Within 3 months | 320,178 | 593,050 | 397,740 | 519,048 |
| 3 to 6 months | 258,595 | 269,581 | 111,857 | 57,641 |
| 6 months to 1 year | 55,015 | 145,109 | 58,760 | 49,062 |
| 1 to 2 years | 71,119 | 5,180 | 40,425 | 33,901 |
| Over 2 years | 4,632 | – | 4,974 | 19,060 |
| **Total** | **709,539** | **1,012,920** | **613,756** | **678,712** |

As of February 28, 2025, approximately RMB476.7 million, or 70.2%, of our inventories as of December 31, 2024, had been consumed. Having considered the relatively high subsequent utilization of inventories, and relatively short inventory turnover days, we do not expect any issues on subsequent consumption and sales of our inventories.

**Trade and Bills Receivables and Contract assets**

The following table sets forth a breakdown of our trade and bills receivables and contract assets as of the dates indicated.

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | | |
| **Current** | | | | |
| Trade receivables | 346,532 | 692,459 | 1,328,257 | 1,860,218 |
| Contract assets | 11,966 | 2,000 | 6,658 | 5,388 |
| Commercial acceptance bills receivables | 13,070 | – | 20,465 | 2,003 |
| Bank acceptance bills receivables | 28,818 | 238,899 | 415,489 | 385,149 |
| Due from related parties | 254 | 1,287 | – | – |
| | 400,640 | 934,645 | 1,770,869 | 2,252,758 |
| Less: Impairment losses | (79,091) | (606,207) | (616,993) | (624,309) |
| **Net carrying amount** | **321,549** | **328,438** | **1,153,876** | **1,628,449** |

Our trade and bills receivables and contract assets increased from RMB321.5 million as of December 31, 2021 to RMB328.4 million as of December 31, 2022, primarily due to an RMB345.9 million increase in trade receivables and an RMB210.1 million increase in bank acceptance bills receivables in line with an increase in sales volume and revenue. We typically grant a credit period of approximately 30 to 90 days, and allow payment through bank and commercial acceptance bills. Our trade and bills receivables and contract assets further increased to RMB1,153.9 million as of December 31, 2023, primarily due to an RMB635.8 million increase in trade receivables and an RMB176.6 million increase in bank acceptance bills receivables in line with an increase in sales volume and revenue. Our trade and bills receivables and contract assets further increased to RMB1,628.4 million as of December 31, 2024, primarily due to an increase in sales volume.

We had bills receivables at fair value through other comprehensive income of nil, nil, nil, and RMB92.9 million as of December 31, 2021, 2022, 2023 and 2024, respectively. The increase of RMB92.9 million in 2024 was primarily due to the increased frequency of endorsement and discounting of bills receivables during the year. As a result, certain bills receivables issued by high-credit-grade banks were reclassified to the category of bills receivables at fair value through other comprehensive income. For more details, please see Note 21 to the Accountants' Report in Appendix I to this Prospectus.

In 2022, we recorded RMB601.4 million in impairment losses of trade receivables due from WM Customer. See "—Significant factors affecting our financial condition and results of operations—Specific factors affecting our results of operations" for details on the impact of seasonality and the WM Customer Incident on our results of operations.

We seek to maintain strict control over our outstanding receivables and have a credit control department to minimize credit risk. Our senior management regularly reviews the recoverability of our outstanding balances and when appropriate, provides for impairment of these trade receivables. Trade receivables relating to customers with known financial difficulties or significant doubt on collection are assessed individually for impairment allowance. The remaining trade receivables are grouped and collectively assessed for impairment allowance. When onboarding new customers, we conduct initial screening to evaluate their creditworthiness, which we also routinely review and monitor. Under the collective approach, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on aging analysis for grouping of customers that have similar loss patterns. Generally, trade receivables are written off according to management approval.

The following table sets forth an aging analysis of our trade receivables, commercial acceptance bills receivables, bank acceptance bills receivables and contract assets, based on the recognition date and net of loss allowance, as of the dates indicated.

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | | |
| Within 3 months | 297,181 | 315,117 | 890,722 | 1,417,462 |
| 3 to 6 months | 24,239 | 13,321 | 259,402 | 196,026 |
| 6 months to 1 year | 25 | – | 3,752 | 7,753 |
| 1 to 3 years | 104 | – | – | 7,208 |
| **Total** | **321,549** | **328,438** | **1,153,876** | **1,628,449** |

The following table sets forth the movements in the loss allowance for impairment of trade and bills receivables and contract assets as of the dates indicated.

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | (RMB in thousands) | | | |
| At beginning of year | 80,461 | 79,091 | 606,207 | 616,993 |
| Impairment losses (reversed)/recognized | (1,370) | 605,877 | 10,786 | 9,213 |
| Amounts written off as uncollectible | – | – | – | (1,897) |
| Decrease from the Reorganization | – | (78,761) | – | – |
| **At end of year** | **79,091** | **606,207** | **616,993** | **624,309** |

The impairment allowance was from Jiangsu TAFEL before the Reorganization and the transactions that gave rise to the related receivables took place before the Track Record Period. Upon the Reorganization, our Group acquired certain assets including properties, plant and equipment, other intangible assets and inventories held by Jiangsu TAFEL and did not acquire any receivables of Jiangsu TAFEL. Therefore, impairment allowance for trade and bills receivables and contract assets of RMB78.8 million was deemed as disposal in 2022 upon the Reorganization.

Our impairment loss allowance increased significantly from RMB79.1 million as of December 31, 2021 to RMB606.2 million as of December 31, 2022, primarily due to receivables of RMB601.4 million by WM Customer. We recorded such impairment in light of the low likelihood of recovery pursuant to the relevant accounting policies under IFRS regarding credit losses.

The following table sets forth our trade and bills receivables and contract assets turnover days during the years indicated.

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| Trade and bills receivables and contract assets turnover days[1] | 60.9 | 36.1 | 65.0 | 99.0 |

*Note:*

(1) Trade and bills receivables and contract assets turnover days were calculated based on the average of opening and closing trade and bills receivable and contract assets balance (net of impairment losses for the same period), divided by the revenue for the same period, and multiplied by the number of days in that period.

Our trade and bills receivables and contract assets turnover days decreased from 60.9 days in 2021 to 36.1 days in 2022, primarily because we recognized impairment losses of RMB601.4 million from WM Customer, which led to a significant decrease in trade and bills receivables and contract assets. The increase in trade and bills receivables and contract assets turnover days from 2022 to 2023 and further to 2024 was primarily due to (i) a significant portion of sales made in the third and fourth quarters of 2024 had not yet become due or settled as of the end of 2024; (ii) changes in payment terms for certain customers, where upfront payment requirements were reduced and replaced with longer credit terms; and (iii) changes in invoicing practices for certain customers, where invoicing was delayed from the month of delivery to the following month, resulting in an extended collection cycle. These factors collectively contributed to the increase in trade and bills receivables and contract assets turnover days.

As of February 28, 2025, approximately RMB1,016.1 million, or 54.6% of our trade receivables as of December 31, 2024, and 80.7%, of our trade receivables (after excluding the one-off impact of the WM Customer related impairment) as of December 31, 2024 had been settled.

We believe that the recoverability of the trade receivables is relatively high and do not expect any trade receivable recoverability issue. Our major customers other than WM Customer are mostly well-known automotive manufacturers in the industry with good credit and relatively low risks of default, and they have not experienced payment default during the Track Record Period. We typically grant our major customers a credit period of 30 to 90 days. In addition, sufficient provision has been made in view of the subsequent settlement amount.

We apply the simplified approach in calculating ECLs for trade and bill receivables and contract assets. Trade and bill receivables and contract assets relating to customers who do not share similar credit risk with others (such as customers with known financial difficulties or customers with whom we had significant doubt on collection) are assessed individually for impairment allowance. The remaining trade and bills receivables and contract assets are grouped and collectively assessed for impairment allowance. Under the collective approach, an impairment analysis is performed at the end of each year during the Track Record Period using a provision matrix to measure expected credit losses. The provision rates are based on ageing analysis for grouping of customers that have similar loss patterns. The calculation reflects the age of the balance, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and influence from the macroeconomy.

**Prepayments, Other Receivables and Other Assets**

Our current portion of prepayments, other receivables and other assets primarily include prepayments to suppliers, other tax recoverable, prepaid expenses, and deposits. The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the dates indicated.

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | (RMB in thousands) | | | |
| **Current:** | | | | |
| Prepayments to suppliers | 24,552 | 16,071 | 8,556 | 8,586 |
| Other receivables | 54,304 | 135 | 202 | 2,105 |
| Other tax recoverable | 116,580 | 167,469 | 68,168 | 49,757 |
| Prepaid expenses | 3,426 | 6,022 | 3,415 | 4,505 |
| Listing fee | – | – | – | 8,051 |
| Deposits | 5,553 | 6,055 | 805 | 366 |
| | 204,415 | 195,752 | 81,146 | 73,370 |
| Impairment allowance | (54,246)[1] | (53) | (10) | (9) |
| **Total** | **150,169** | **195,699** | **81,136** | **73,361** |
| **Non-current:** | | | | |
| Other receivables | 12,179 | 702 | 702 | – |
| Deposits | 8,499 | 46,118 | 46,186 | 39,727 |
| Prepayments for long-term assets | 378,316 | 108,109 | 9,186 | 618 |
| | 398,994 | 154,929 | 56,074 | 40,345 |
| Impairment allowance | (330) | (647) | (710) | (533) |
| **Total** | **398,664** | **154,282** | **55,364** | **39,812** |

*Note:*

1. The RMB54.2 million in impairment allowance arises from Jiangsu TAFEL's trade receivables in 2020 before the Reorganization. We acquired certain assets held by Jiangsu TAFEL, which do not include any receivables. Therefore, the related impairment allowance on Jiangsu TAFEL's receivables were deemed as disposal in 2022 upon the Reorganization.

Our current prepayments, other receivables and other assets increased from RMB150.2 million as of December 31, 2021 to RMB195.7 million as of December 31, 2022, primarily due to an RMB50.9 million increase in other tax recoverable because we received invoices for spendings on our manufacturing facility construction which led to an increase in input VAT. Our current prepayments, other receivables and other assets subsequently decreased to RMB81.1 million as of December 31, 2023 and RMB73.4 million as of December 31, 2024, primarily due to an RMB99.3 million decrease in 2023 and an RMB18.4 million decrease in 2024 in other tax recoverable as we received fewer input VAT invoices because construction of our manufacturing facilities of phase II of Changshu Zenergy plant was completed in 2023, and more output VAT invoices due to an increase in sales volume.

As of February 28, 2025, approximately RMB57.2 million, or 78.0%, of our prepaid expenses, other receivables, and other assets (net of impairment losses) as of December 31, 2024, had been settled.

Our non-current prepayments, other receivables and other assets decreased from RMB398.7 million as of December 31, 2021 to RMB154.3 million as of December 31, 2022, primarily due to an RMB270.2 million decrease in prepayments for long-term assets as the construction of Changshu Yinhe was completed, and significant amount of prepayment was transferred to property, plant and equipment; partially offset by an RMB37.6 million increase in deposits in relation to (i) our leased properties; (ii) our use of utilities; and (iii) facility constructions. Our non-current prepayments, other receivables and other assets further decreased to RMB55.4 million as of December 31, 2023, primarily due to an RMB98.9 million decrease in prepayments for long-term assets as the construction of phase II of Changshu Zenergy was completed. Our non-current prepayment, other receivables and other assets subsequently decreased to RMB39.8 million as of December 31, 2024, primarily due to (i) an RMB8.6 million decrease in prepayments for long-term assets; and (ii) an RMB6.5 million decrease in deposits.

**Financial Assets at Fair Value through Profit or Loss**

Our financial assets measured at fair value through profit or loss primarily include structured deposits and wealth management products. We had financial assets measured at fair value through profit or loss of nil, RMB1,162.6 million, nil and nil as of December 31, 2021, 2022, 2023 and 2024, respectively. The fair values of our financial assets measured at fair value through profit or loss are measured using level 2 input.

We believe we can make better use of our cash by making appropriate investments in wealth management products of low-to-medium risk, which generate income without interfering with our business operation or capital expenditures. Our investment decisions with respect to financial products are made on a case-by-case basis and after due and careful consideration of a number of factors, including, but not limited to, the market conditions, the economic developments, the anticipated investment conditions, the investment cost, the duration of the investment and the expected benefit and potential loss of the investment. We have established a set of internal measures which allow us to achieve reasonable returns on our investment while mitigating our exposure to investment risks. We will comply with requirements under Chapter 14 of the Listing Rules and disclose the details of our investments and other notifiable transactions to the extent necessary and as appropriate after the Global Offering.

**Restricted Bank Balances and Time Deposits**

Our restricted bank balances remained relatively stable at RMB1,020.3 million and RMB1,035.4 million as of December 31, 2021 and 2022, respectively, and decreased to RMB472.3 million as of December 31, 2023 and increased to RMB957.8 million as of December 31, 2024, primarily due to changes in the amount of deposits demanded to be pledged by banks when we issue bank acceptance bills.

**Trade and Bills Payables**

Our trade and bills payables increased from RMB1,813.3 million as of December 31, 2021 to RMB3,012.3 million as of December 31, 2022, then to RMB3,415.9 million as of December 31, 2023 and further to RMB3,742.6 million as of December 31, 2024, primarily due to an increase in procurement of raw materials to expand our production volume to meet increasing customer demand.

The following table sets forth our trade and bills payable turnover days during the years indicated.

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| Trade and bills payables turnover days[(1)] | 322.0 | 246.0 | 296.8 | 298.1 |

*Note:*

(1) Trade and bills payables turnover days were calculated based on the average of opening and closing trade payable balance for the relevant period, divided by the cost of sales (including impairment losses on inventories) for the same period, and multiplied by the number of days in that period.

Our trade and bills payable turnover days decreased from 322.0 days in 2021 to 246.0 days in 2022, primarily due to a significant increase in cost of sales (including impairment losses on inventories) in 2022 driven by the significant impairment losses on inventories in the same year as a result of the WM Customer Incident. Our trade and bills payable turnover days subsequently increased to 296.8 days in 2023, primarily due to an increase in cost of sales (including impairment losses on inventory) in 2023 as the impact of WM Customer on impairment losses on inventories did not carry over in 2023. Our trade and bills payable turnover days remained relatively stable at 298.1 days in 2024.

The following table sets forth an ageing analysis of our trade and bills payables as of the dates indicated.

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | | |
| Within 1 year | 1,808,665 | 3,011,888 | 3,415,144 | 3,741,138 |
| 1 to 2 years | 2,781 | 444 | 710 | 1,394 |
| 2 to 3 years | 1,843 | – | – | 54 |
| **Total** | **1,813,289** | **3,012,332** | **3,415,854** | **3,742,586** |

As of February 28, 2025, approximately RMB668.1 million, or 41.9%, of our trade payables as of December 31, 2024 had been settled.

During the Track Record Period, we did not have any material default on our trade and bills payables.

### Other Payables and Accruals

Our other payables and accruals primarily include (i) payables for purchase of property, plant and equipment in relation to our manufacturing and other facilities; (ii) payroll and welfare payable due to our employees; (iii) accrued expenses; (iv) other tax payables; (v) deposits; (vi) acquisition consideration payable in relation to unpaid consideration for our major reorganization; (vii) amount due to related parties. See "—Related Party Transactions"; and (viii) other payables.

The following table sets forth a breakdown of our other payables and accruals as of the dates indicated.

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | (RMB in thousands) | | | |
| Payables for purchase of property, plant and equipment | 278,731 | 959,468 | 1,305,086 | 1,160,950 |
| Payroll and welfare payable | 28,527 | 38,546 | 49,448 | 63,117 |
| Accrued listing expenses | – | – | – | 11,569 |
| Accrued expenses | 24,185 | 40,317 | 67,521 | 45,251 |
| Other tax payables | 5,562 | 42,755 | 38,688 | 10,409 |
| Other payables | 5,344 | 30,713 | 33,541 | 27,985 |
| Acquisition consideration payable | – | – | 346,000 | – |
| Due to related parties | – | 368,657 | 105,239 | 108,567 |
| **Total** | **342,349** | **1,480,456** | **1,945,523** | **1,427,848** |

Our other payables and accruals increased from RMB342.3 million as of December 31, 2021 to RMB1,480.5 million as of December 31, 2022, primarily due to (i) an RMB680.7 million increase in payables for purchase of property, plant and equipment in relation to the construction of manufacturing facilities; (ii) an RMB368.7 million increase in amount due to related parties driven by advances from related parties. See "—Related Party Transactions." Our other payables and accruals increased to RMB1,945.5 million as of December 31, 2023, primarily due to (i) an RMB345.6 million in payables for purchase of property, plant and equipment driven by the construction of manufacturing facilities; and (ii) an RMB346.0 million increase in acquisition consideration payable in relation to our major reorganization, partially offset by an RMB263.4 million decrease in due to related parties as we partially repaid the advances. Our other payables and accruals decreased to RMB1,427.8 million as of December 31, 2024, primarily due to (i) an RMB346.0 million decrease in acquisition consideration payable due to payment in 2024; and (ii) an RMB144.1 million decrease in payables for purchase of property, plant and equipment as the construction of Changshu Yinhe and phase II of Changshu Zenergy facilities were completed.

As of February 28, 2025, approximately RMB504.0 million, or 35.3%, of our other payables and accrued expenses as of December 31, 2024, had been settled.

**Contract Liabilities**

Our contract liabilities represent advances received to deliver products. Our contract liabilities increased from RMB40.9 million as of December 31, 2021 to RMB145.4 million as of December 31, 2022, primarily due to an increase in our sales volume. Our contract liabilities subsequently decreased to RMB44.7 million as of December 31, 2023 and RMB14.8 million as of December 31, 2024, primarily due to a decrease in prepayments for battery products by a customer in 2024.

As of February 28, 2025, approximately RMB2.9 million, or 19.8%, of our contract liabilities as of December 31, 2024 had been settled.

**Provision**

Provision represents liabilities recorded for aftersales obligations, and is generally recorded as a percentage of total sales amount.

Our provision increased from RMB39.0 million as of December 31, 2021 to RMB100.8 million as of December 31, 2022, further to RMB168.8 million as of December 31, 2023, and RMB262.7 million as of December 31, 2024, primarily due to an increase in sales volume and revenue.

**Deferred Tax Liabilities**

Our deferred tax liabilities are recognized for taxable temporary differences arising from acquisition of property, plant and equipment and other intangible assets. Our deferred tax liabilities was RMB90.7 million, RMB84.8 million, RMB70.3 million and RMB58.0 million as of December 31, 2021, 2022, 2023 and 2024, respectively.

## LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations primarily through capital contribution from shareholders, cash generated from operating activities, and banking facilities. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash generated from operating activities, banking facilities and net proceeds from the Global Offering.

Taking into account the above sources of liquidity available to us, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of this Prospectus.

### Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

| | Year ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | | |
| Net cash flows (used in)/generated from operating activities | (165,420) | 1,353,642 | 284,354 | (361,142) |
| Net cash flows (used in)/generated from investing activities | (284,275) | (4,012,900) | 302,733 | (775,160) |
| Net cash flows generated from financing activities | 938,316 | 2,823,634 | 511,028 | 1,298,116 |
| Net increase in cash and cash equivalents | 488,621 | 164,376 | 1,098,115 | 161,814 |
| Effect of foreign exchange rate changes, net | (14,718) | 4,377 | – | 2,979 |
| Cash and cash equivalents at beginning of the year | 293,508 | 767,411 | 936,164 | 2,034,279 |
| Cash and cash equivalents at end of the year | 767,411 | 936,164 | 2,034,279 | 2,199,072 |

### Net Cash (Used in)/Generated from Operating Activities

Net cash used in operating activities was RMB361.1 million in 2024, primarily due to our profit before tax of RMB79.0 million, plus interest received of RMB37.4 million, as adjusted by (i) certain non-cash and non-operating items, primarily including depreciation of property, plant and equipment of RMB497.3 million, share of profits of joint ventures of RMB302.5 million and finance costs of RMB132.6 million; (ii) changes in working capital that negatively affected the cash flow from operating activities, primarily including an increase in trade and bills receivables and contract assets of RMB483.8 million and an increase in inventories of RMB120.4 million; and (iii) partially offset by changes in working capital that positively affected the cash flow from operating activities, primarily including an increase in trade and bills payables of RMB218.7 million. To improve operating cash flow, we plan to implement the following measures: (i) expanding business scale to increase cash inflows, while reducing costs and improving efficiency; (ii) maintaining strong relationships with banks and leveraging financial tools such as bank acceptance bills; (iii) negotiating better credit terms with suppliers to extend payment cycles and improve terms with customers; (iv) aligning raw material purchases with the actual orders, optimizing inventory levels, and improving inventory turnover; and (v) strengthening receivables management with a robust credit control system to ensure timely collections.

Net cash generated from operating activities was RMB284.4 million in 2023, primarily due to our loss before tax of RMB604.4 million, less income tax paid of RMB23.5 million and plus interest received of RMB33.2 million, as adjusted by (i) certain non-cash and non-operating items, primarily including depreciation of property, plant and equipment of RMB293.9 million, impairment losses on inventories of RMB282.4 million and finance costs of RMB73.5 million; (ii) changes in working capital that positively affected the cash flow from operating activities, primarily including a decrease in pledged deposits of RMB524.3 million; and (iii) partially offset by changes in working capital that negatively affected the cash flow from operating activities, primarily including an increase in trade and bills receivables and contract assets of RMB836.2 million.

Net cash generated from operating activities was RMB1,353.6 million in 2022, primarily due to our loss before tax of RMB1,731.0 million, less income tax paid of RMB4.9 million and plus interest received of RMB17.9 million, as adjusted by (i) certain non-cash and non-operating items, primarily including impairment losses on financial assets and contract assets, net of RMB600.1 million, impairment losses on inventories of RMB579.3 million and impairment losses on property, plant and equipment of RMB244.6 million; (ii) changes in working capital that positively affected the cash flow from operating activities, primarily including an increase in trade and bills payables of RMB2,491.4 million and an increase in other payables and accruals of RMB1,869.2 million; and (iii) partially offset by changes in working capital that negatively affected the cash flow from operating activities, primarily including an increase in trade and bills receivables and contract assets of RMB1,372.6 million.

Net cash used in operating activities was RMB165.4 million in 2021, primarily due to our loss before tax of RMB411.7 million, plus interest received of RMB8.2 million, as adjusted by (i) certain non-cash and non-operating items, primarily including depreciation of property, plant and equipment of RMB91.2 million; (ii) changes in working capital that negatively affected the cash flow from operating activities, primarily including an increase in pledged deposits of RMB663.2 million and an increase in inventories of RMB446.5 million; and (iii) partially offset by changes in working capital that positively affected the cash flow from operating activities, primarily including an increase in trade and bills payables of RMB1,034.3 million.

**Net Cash (Used in)/Generated from Investing Activities**

Net cash flows used in investing activities was RMB775.2 million in 2024, primarily due to (i) investment in a joint venture of RMB346.0 million, and (ii) purchases of items of property, plant, equipment and right-of-use assets of RMB614.8 million.

Net cash flows generated from investing activities was RMB302.7 million in 2023, primarily due to redemption of financial assets at fair value through profit or loss of RMB1,169.2 million, partially offset by (i) purchases of items of property, plant, equipment and right-of-use assets of RMB791.8 million, and (ii) investment in a joint venture of RMB150.0 million.

Net cash flows used in investing activities was RMB4,012.9 million in 2022, primarily due to (i) purchases of items of property, plant, equipment and right-of-use assets of RMB2,688.0 million, and (ii) subscription of financial assets at fair value through profit or loss of RMB1,146.7 million, partially offset by receipt of government grants for property, plant and equipment and right-of-use assets of RMB68.3 million.

Net cash flows used in investing activities was RMB284.3 million in 2021, primarily due to purchases of items of property, plant, equipment and right-of-use assets of RMB896.1 million, partially offset by redemption of financial assets at fair value through profit or loss of RMB612.1 million.

**Net Cash Generated from Financing Activities**

Net cash flows generated from financing activities was RMB1,298.1 million in 2024, primarily due to proceeds from (i) interest-bearing bank and other borrowings of RMB1,369.1 million; and (ii) capital contribution from shareholders of RMB1,000.0 million, partially offset by (i) repayment of interest-bearing bank and other borrowings of RMB901.0 million, and (ii) interest paid of RMB125.7 million.

Net cash flows generated from financing activities was RMB511.0 million in 2023, primarily due to proceeds from interest-bearing bank and other borrowings of RMB1,221.3 million, partially offset by (i) repayment of interest-bearing bank and other borrowings of RMB576.2 million, and (ii) interest paid of RMB133.4 million.

Net cash flows generated from financing activities was RMB2,823.6 million in 2022, primarily due to (i) proceeds from interest-bearing bank and other borrowings of RMB2,886.4 million, (ii) contribution from the ordinary shareholders of RMB2,414.9 million, partially offset by (i) business combination under common control of RMB1,970.1 million, and (ii) repayment of interest-bearing bank and other borrowings of RMB303.0 million.

Net cash flows generated from financing activities was RMB938.3 million in 2021, primarily due to (i) contribution from the ordinary shareholders of RMB1,289.8 million, and (ii) proceeds from interest-bearing bank and other borrowings of RMB69.0 million, partially offset by (i) repayment of interest-bearing bank and other borrowings of RMB368.0 million, and (ii) lease payments of RMB40.9 million.

## CAPITAL EXPENDITURES AND COMMITMENTS

### Capital Expenditure

Our capital expenditures during the Track Record Period primarily related to purchases of properties, plants and equipment, right-of-use assets, and purchases of other intangible assets, and amounted to RMB896.7 million, RMB2,707.5 million, RMB813.7 million and RMB625.1 million, respectively, in 2021, 2022, 2023 and 2024. We funded our capital expenditure requirements during the Track Record Period mainly from a combination of cash generated from our operating activities, bank loans and equity financing. We plan to fund our planned capital expenditure by the cash flow generated from our operations, bank loans, equity financing, and the net proceeds received from the Global Offering.

The following table sets forth a summary of our capital expenditure as of the dates indicated.

| | Year ended 31 December, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | | |
| Purchases of properties, plants and equipment, and leases | 896,123 | 2,687,978 | 791,751 | 614,798 |
| Purchases of intangible assets | 586 | 19,565 | 21,993 | 10,329 |
| **Total** | **896,709** | **2,707,543** | **813,744** | **625,127** |

### Capital Commitments

Our capital commitments primarily related to properties, plant and equipment. The following table sets forth a summary of our capital commitments as of the dates indicated.

| | As of December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(RMB in thousands)* | | | |
| Properties, plant and equipment | 1,661,603 | 1,163,135 | 514,662 | 109,225 |

## INDEBTEDNESS

Our indebtedness during the Track Record Period consists of interest-bearing bank and other borrowings and lease liabilities. The following table sets forth our indebtedness position as of December 31, 2021, 2022, 2023 and 2024, and February 28, 2025.

| | As of December 31, | | | | As of February 28, |
|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 |
| | | | | | *(unaudited)* |
| | *(RMB in thousands)* | | | | |
| **Current** | | | | | |
| Interest-bearing bank and other borrowings | 1,159,664 | 579,134 | 694,137 | 1,245,825 | 1,093,335 |
| Lease liabilities | 36,674 | 34,046 | 27,021 | 30,397 | 30,482 |
| **Non-current** | | | | | |
| Interest-bearing bank and other borrowings | – | 2,310,258 | 2,841,494 | 2,768,659 | 2,844,009 |
| Lease liabilities | 311,882 | 207,537 | 175,769 | 146,034 | 145,658 |
| **Total** | **1,508,220** | **3,130,975** | **3,738,421** | **4,190,915** | **4,113,484** |

### Interest-bearing bank and other borrowings

Our interest-bearing bank and other borrowings typically have terms ranging from one year to five years, with effective interest rates ranging from 0.77% to 5.35%. As of December 31, 2021, certain of our interest-bearing bank borrowings were guaranteed by one of our Shareholders, and other borrowings of RMB1,090.6 million were guaranteed by our Company. As of December 31, 2022, these guarantees have been released.

As of December 31, 2022 and 2023, our certain interest-bearing bank borrowings were secured by the right-of-use assets with aggregate carrying amounts of approximately RMB53.8 million and RMB52.7 million, respectively, and property, plant and equipment with aggregate carrying amounts of approximately RMB650.2 million and RMB609.5 million, respectively, and guaranteed by SINOGY VC and Zenergy Investment which are shareholders of the Company, and guaranteed by Jiangsu TAFEL. As of December 31, 2024, these guarantee has been released. As of December 31, 2022, our interest-bearing bank borrowings were also secured by the pledged deposits amounting to RMB38.7 million.

As of December 31, 2024, our certain interest-bearing bank borrowings were secured by the right-of-use assets with aggregate carrying amounts of approximately RMB51.6 million and property, plant and equipment with aggregate carrying amounts of approximately RMB3,283.9 million.

### Unutilized Banking Facilities

As of February 28, 2025, we had unutilized banking facilities of RMB3,228.7 million.

### Lease liabilities

Our lease liabilities primarily relate to our lease of two properties and facilities in Suzhou and Nanjing for manufacturing and business operations purposes. The lease terms are 122 months and 55 months respectively, ending in 2031 and 2027, respectively. The decrease in our lease liabilities during the Track Record Period was primarily due to our periodic lease payments and termination of certain leases.

Save as disclosed above, we did not have any outstanding loan, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments, guarantees or other contingent liabilities as of February 28, 2025.

We had not guaranteed the indebtedness of any independent third parties as of the Latest Practicable Date. Our Directors confirm that there has not been any material change in our indebtedness since February 28, 2025 and up to the date of this Prospectus.

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings during the Track Record Period and up to the Latest Practicable Date.

## CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Company.

## KEY FINANCIAL RATIOS

The following table sets forth key financial ratios for the periods or as of the dates indicated.

| | Year Ended/As of December 31, | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *(%)* | | | |
| Gearing ratio(1) | 27.2 | 47.0 | 26.4 | 25.2 |
| Current ratio(2) | 87.4 | 88.3 | 70.8 | 88.2 |
| Quick ratio(3) | 66.5 | 69.2 | 60.8 | 77.8 |

*Notes:*

(1) Gearing ratio is calculated based on net debt, which includes interest-bearing bank and other borrowings and lease liabilities, less cash and cash equivalents, divided by capital, which includes equity attributable to the owners of the parent, plus net debt and multiplied by 100%.

(2) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the respective year.

(3) Quick ratio is calculated as total current assets less inventories divided by the total current liabilities as at the end of the respective year.

**Gearing Ratio**

Our gearing ratio decreased from 26.4% as of December 31, 2023 to 25.2% as of December 31, 2024, primarily due to capital injection in 2024.

Our gearing ratio decreased from 47.0% as of December 31, 2022 to 26.4% as of December 31, 2023, primarily due to a significant increase in cash and cash equivalent in 2023.

Our gearing ratio increased from 27.2% as of December 31, 2021 to 47.0% as of December 31, 2022, primarily due to a significant increase in interest-bearing bank and other borrowings in 2022.

**Current Ratio**

Our current ratio increased from 70.8% as of December 31, 2023 to 88.2% as of December 31, 2024, primarily due to an increase in current assets as of December 31, 2024.

Our current ratio decreased from 88.3% as of December 31, 2022 to 70.8% as of December 31, 2023, primarily due to an increase in current liabilities as of December 31, 2023.

Our current ratio remained relatively stable at 87.4% and 88.3% as of December 31, 2021 and 2022, respectively.

**Quick Ratio**

Our quick ratio increased from 60.8% as of December 31, 2023 to 77.8% as of December 31, 2024, primarily due to an increase in current assets as of December 31, 2024.

Our quick ratio decreased from 69.2% as of December 31, 2022 to 60.8% as of December 31, 2023, primarily due to an increase in current liabilities as of December 31, 2023.

Our quick ratio remained relatively stable at 66.5% and 69.2% as of December 31, 2021 and 2022, respectively.

## DISCLOSURE ABOUT FINANCIAL RISK

Our principal financial instruments comprise interest-bearing bank and other borrowings, and cash and deposits. The main purpose of these financial instruments is to raise funds for our operations. We also have various other financial assets and liabilities, such as trade and bills receivables and trade and bills payables, which arise directly from our business operations. The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. See note 39 to the accountants' report included in Appendix I of the Prospectus for more details on financial risks.

## OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

## DIVIDEND

During the Track Record Period, we did not declare or pay any dividends. As of the Latest Practicable Date, we did not have a formal dividend policy or a fixed dividend payout ratio. The Board has approved a dividend policy, which will become effective upon Listing. Under the dividend policy, we may provide our Shareholders with interim or annual dividends as the Board deems appropriate. The Board will consider, among other things, the following factors when proposing dividends and determining the amount of dividends: (i) our actual and projected financial performance; (ii) our estimated working capital requirements, capital expenditure requirements and future business expansion plan; (iii) our present and future cash flow; (iv) other internal and external factors that may have an impact on our business operations or financial performance and position; and (v) other factors that our Board deem relevant.

Any declaration and payment as well as the amount of dividends will be subject to our Articles of Association and applicable laws and regulations. The declaration and payment of any dividends in the future will be determined by our shareholders' meeting, in its discretion, and will depend on a number of factors, including but not limited to our earnings, capital requirements, overall financial condition and contractual restrictions. We may by ordinary resolution resolve to declare dividends in any currency and authorize payment of the dividends out of the funds of our Company lawfully available. There is no assurance that dividends of any amount will be declared to be distributed in any year. We will continue to re-evaluate our dividend policy in light of our financial condition and the prevailing economic environment.

According to the PRC Company Law, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund. We will, therefore, only be able to declare dividends after: (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above. We may stop allocate the net profit when the aggregate balance of the statutory common reserve fund has reached more than 50% of our registered capital.

## DISTRIBUTABLE RESERVE

As of December 31, 2024, we did not have any distributable reserves.

## DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

## RELATED-PARTY TRANSACTIONS

Related party transactions are set out in note 37 to the accountants' report included in Appendix I of the Prospectus. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and at arm's length basis. The non-trade payables amounted to approximately RMB108.6 million as of December 31, 2024, which will be settled prior to Listing. Any guarantee previously provided by related parties has been released.

## LISTING EXPENSES

The total listing expenses payable by our Company are estimated to be approximately HK$77.6 million, representing 7.7% of the total gross proceeds from the Global Offering, assuming the Over-allotment Option is not exercised and at the Offer Price of HK$8.27 per Share. These listing expenses mainly comprise legal and other professional fees paid and payable to the professional parties, commissions payable to the Underwriters, and printing and other expenses for their services rendered in relation to the Listing and the Global Offering. We expect that approximately RMB39.5 million (HK$42.8 million) of listing expenses have been/will be charged to our statements of profit or loss and other comprehensive income, of which RMB29.3 million (HK$31.7 million) has been so charged in 2024. We expect that approximately RMB32.1 million (HK$34.8 million) relating to listing expenses directly attributable to the issue of shares will be deducted from equity.

The following table sets forth a breakdown of the listing expenses for the Global Offering at the Offer Price of HK$8.27 per Share (assuming the Over-allotment Option is not exercised).

| Listing Expenses | Based on an Offer Price of HK$8.27 |
|---|---|
| | *(HK$ in thousands)* |
| **Non-underwriting related expenses** | |
| Legal and audit expenses | 30,289 |
| Other expenses | 12,360 |
| **Underwriting related expenses** | 34,901 |
| **Total** | **77,550** |

## UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma adjusted consolidated net tangible assets prepared in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to owners of the Company as of December 31, 2024 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets attributable to owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as of December 31, 2024 or any future dates following the Global Offering.

| | Consolidated net tangible assets attributable to owners of the Company as of December 31, 2024 | Estimated net proceeds from the Global Offering | Unaudited pro forma adjusted consolidated net tangible assets | Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share | |
|---|---|---|---|---|---|
| | | *(RMB in thousands)* | | *RMB* | *HK$* |
| | *(Note 1)* | *(Note 2)* | | *(Note 3)* | *(Note 4)* |
| Based on an Offer Price of HK$8.27 per Share . . . . . . . | 5,472,766 | 885,193 | 6,357,959 | 2.53 | 2.75 |

*Notes:*

(1) The consolidated net tangible assets attributable to owners of the Company as of December 31, 2024 is arrived at after deducting other intangible asset of RMB423,079,000 and goodwill of RMB1,277,000 from the consolidated equity attributable to owners of the Company of RMB5,897,122,000 as of December 31, 2024, as shown in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$8.27 per Share, after deduction of the underwriting fees and other related expenses payable by our Company (excluding the listing expenses that have been charged to profit or loss during the Track Record Period) and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of RMB0.9229 to HK$1.00.

(3) The unaudited pro forma adjusted net tangible assets per Share is calculated based on 2,508,500,103 Shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB0.9229 to HK$1.00.

(5) No adjustment has been made to reflect any trading result or open transaction of the Group entered subsequent to December 31, 2024.

## NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, up to the date of this Prospectus, there has been no material adverse change in our financial or trading position or prospects since December 31, 2024, and there has been no event since December 31, 2024 that would materially affect the information as set out in the accountants' report included in Appendix I of the Prospectus.

## FUTURE PLANS AND PROSPECTS

See "Business—Our Strategies" for a detailed description of our future plans.

## USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$927.5 million assuming no Over-allotment Option is exercised, at the Offer Price of HK$8.27 per Share, after deducting the underwriting fees and commissions (assuming the full payment of the discretionary incentive fee) and estimated expenses payable by the Company.

We intend to use the net proceeds we will receive from the Global Offering for the following purposes:

1. approximately 80.0% of the net proceeds, or HK$741.9 million (equivalent to approximately RMB684.7 million), will be used for the expansion of our production capacity and to construct intelligent manufacturing facilities and flexible manufacturing lines. We adopt a market-driven expansion plan where we design our overall manufacturing capacity and facility expansion plans to match the orders we have on hand and the expected orders we expect to receive, taking into account our understanding and analysis of our customers' needs.

   Our market-driven expansion plan also takes into account the expected growth in the EV battery industry. According to Frost & Sullivan, the global EV battery market experienced steady growth in installation capacity in recent years, and is expected to further grow from 900.2 GWh in 2024 to 3,564.5 GWh in 2029, representing a CAGR of 31.7%. In China, EV battery installation capacity is expected to grow from 549.9 GWh in 2024 to 1,961.4 GWh in 2029, representing a CAGR of 29.0%. Besides EV batteries, several types of non-EV power batteries (including electric ship batteries and eVTOL power batteries) and ESS batteries are also expected to experience significant growth in the next five years. Our market-driven approach, which takes into account orders on hand and the expected growth in demand, helps avoid excessive manufacturing capacities and ensure sustainable and efficient growth.

We believe there will be that sufficient demand for our products to support our plans to expand our production capacity, because:

(i) the penetration rates for PHEV/EREV and the market share for LFP power batteries are expected to increase significantly, according to Frost & Sullivan. The market penetration rate of BEVs in China was 24.6% in 2024 in terms of sales volume, and the sales volume is expected to grow at a CAGR of 14.1% from 2024 to 2029. In contrast, the total market share of PHEVs (including EREVs) in China was 16.4% in 2024, and the sales volume is expected to grow at a CAGR of 24.1% from 2024 to 2029, indicating that PHEVs are poised for faster growth compared to BEVs and will surpass BEVs in sales volume in 2026. In China, the proportion of NCM batteries decreased from 60.9% in 2020 to 25.4% in 2024, of all EV batteries in terms of installation capacity, whereas the proportion of LFP batteries increased from 38.0% in 2020 to 74.4% in 2024, of all EV Batteries in terms of installation capacity. This shift is further highlighted by the installation capacity of LFP batteries, which was 408.9 GWh in 2024 in China, whereas the installation capacity for NCM was 139.8 GWh in 2024 in China. This growth necessitates the establishment of new production lines to ensure adequate supply capabilities.

(ii) we obtained 48 design-wins as of the Latest Practicable Date, with total planned delivery volume for PHEV batteries alone of over 150 GWh over the next four to five years, according to planned vehicle delivery plans of the OEMs from whom we had obtained design-wins, which requires manufacturing capacity that exceeds our current level of 25.5 GWh per year.

(iii) our seemingly low utilization rates reflect the industry norm that the start of mass production of batteries depends on the customer's vehicle start of production ("**SOP**") schedule. If the SOP does not begin on certain point of time as originally planned, the production lines can be left idle; such demand from customers is cyclic, with typically lower production rates in the first quarter. See also "Financial Information—Specific Factors Affecting Our Results of Operations—Seasonality."

Our use of proceeds from the Global Offering on manufacturing capacity expansion is planned as follows:

(i) approximately 44.0% of the net proceeds, or HK$407.9 million (equivalent to approximately RMB376.5 million), will be used for construction, equipment purchases and preparation costs in relation to the construction of Phase I of the new production facility in Changshu (the "**Phase I Facility**"). The Phase I Facility is designed to have an annual production capacity of approximately 10.0 GWh per year. More specifically:

(a) approximately 16.5% of the net proceeds, or HK$153.0 million (equivalent to approximately RMB141.2 million), will be used for the construction of factories, manufacturing lines and supportive warehouses;

(b) approximately 26.0% of the net proceeds, or HK$241.0 million (equivalent to approximately RMB222.5 million), will be used for the purchase and installation of production equipment, storage equipment, control systems and equipment; and

(c) approximately 1.5% of the net proceeds, or HK$13.9 million (equivalent to approximately RMB12.8 million), will be used for preliminary production preparation, trial production and other expenses.

The construction of **Phase I Facility** is expected to commence in March 2025, and trial production is expected to commence in November 2025.

(ii) approximately 36.0% of the net proceeds, or HK$334.0 million (equivalent to approximately RMB308.2 million), will be used for construction, equipment purchases and preparation costs in relation to the construction of Phase II of the new Changshu production facility (the "**Phase II Facility,**" together with the Phase I Facility, the "**New Changshu Facility**"). The Phase II Facility is designed to have an annual production capacity of approximately 15.0 GWh per year. After the completion of the Phase II Facility, the New Changshu Facility is expected to have a total gross floor area of nearly 620,000 square meters, and a capacity of 25.0 GWh per year.

(a) approximately 10.0% of the net proceeds, or HK$92.8 million (equivalent to approximately RMB85.6 million), will be used for the construction of factories, manufacturing lines and supportive warehouses;

(b) approximately 25.0% of the net proceeds, or HK$231.9 million (equivalent to approximately RMB214.0 million), will be used for the purchase and installation of production equipment, storage equipment, control systems and equipment; and

(c) approximately 1.0% of the net proceeds, or HK$9.3 million (equivalent to approximately RMB8.6 million), will be used for preliminary product preparation, trial production and other expenses.

The construction of **Phase II Facility** is expected to commence in December 2025, and trial production is expected to commence in 2026.

The New Changshu Facility is designed with advanced manufacturing equipment and lines that enable the manufacturing of battery products that (i) have distinctive technological features in high energy density, long life cycle, high power density, high performance under low temperature, high safety and fast charging capabilities; (ii) have standardized battery cells, which enable large-scale automation during the manufacturing process and adoption by a variety of vehicle models; and (iii) can achieve high cost efficiency during the manufacturing process. Equipments to be installed in the New Changshu Facility will cover the full manufacturing process from mixing to capacity testing and warehousing. Types of equipments will include, among others, extrusion coating machine, roll pressing and pre-cutting machine, laser-die cutting and winding machine, soft connection welding machine, negative pressure formatting system and capacity testing system.

The following table sets forth our proposed timeline and allocation of net proceeds for the expansion of the New Changshu Facility.

| Facility | Total investment amount | Investment made as of December 31, 2024 | Net proceeds to be used in | |
|---|---|---|---|---|
| | | | (RMB in thousands) | |
| | | | 2025 | 2026 |
| Phase I Facility | 4,346,693 | 4,440 | 376,500 | – |
| Phase II Facility | 5,655,246 | – | 35,000 | 273,200 |
| **Total** | **10,001,939** | **4,440** | **411,500** | **273,200** |

The total investment amounts for the above facilities are determined primarily based on (i) the amount and size of facilities and infrastructure necessary to manufacture our battery products; (ii) the types and number of equipment for the design and manufacturing of our battery products; (iii) manufacturing timeline based on design-wins and orders at hand; and (iv) our available sources of funding besides this Global Offering.

The following table sets forth the expected annual production capacity in the years indicated, assuming that the New Changshu Facility is completed and ramped up according to our current plans.

| Designed annual production capacity in the year ending December 31, | | |
|---|---|---|
| 2024 | 2025 | 2026 |
| | *GWh* | |
| 25.5 | 35.5 | 50.5 |

We believe the decision to allocate 80% of the net proceeds towards expanding and constructing manufacturing facilities and lines is justified by several strategic considerations:

(i) *Anticipated market growth*. The projected increase in PHEV/EREV penetration and LFP power battery market share necessitates additional production capacity to meet growing demand. This aligns with forecasts by Frost & Sullivan as mentioned above and underscores the need for expansion.

(ii) *Current capacity constraints*. As mentioned above, our existing orders exceed our current production capabilities. The establishment of new facilities is crucial to accommodate this demand and prevent production bottlenecks.

(iii) *Strategic realignment*. While production activities substantially ceased at the Nanjing Zenergy in 2022, and ceased at Dongguan Zenergy in 2023, respectively, this decision is a part of our strategic realignment to focus resources on more favorable locations and promising technologies. Specifically, we intend to focus our future growth on PHEV batteries (in terms of application scenarios) and LFP batteries (in terms of electrochemistry), which would be achieved in a more commercially feasible way by constructing new facilities instead of renovating old ones (such as Nanjing Zenergy and Dongguan Zenergy sites).

(iv) *Industry production dynamics*. The nature of the battery cell industry, as aforementioned, including pre-booked production lines and cyclical demand patterns, requires flexible and scalable production capabilities. Expanding and constructing new facilities will enable us to better align production with customer demand cycles. Therefore, we believe our proposed use of 80% of net proceeds to expand and construct our manufacturing facilities and manufacturing lines is justified.

2. approximately 10.0% of the net proceeds, or HK$92.8 million (equivalent to approximately RMB85.6 million), will be used for various R&D activities.

   (i) approximately 5.0% of the net proceeds, or HK$46.4 million (equivalent to approximately RMB42.8 million), will be used to explore various new battery electrochemistries and advanced materials;

      (a) approximately 2.5% of the net proceeds, or HK$23.2 million (equivalent to approximately RMB21.4 million), will be used for the R&D and commercialization of sodium-ion power batteries with high discharge rates and long useful lives. Our sodium-ion battery products current have the energy density of 130Wh/Kg and aim to achieve high energy density of over 160Wh/Kg and a cycle life of over 3,000 cycles.

      (b) approximately 1.5% of the net proceeds, or HK$13.9 million (equivalent to approximately RMB12.8 million), will be used to develop the ultra-high nickel multi-element materials and new silicon carbon materials; and

      (c) approximately 1.0% of the net proceeds, or HK$9.3 million (equivalent to approximately RMB8.6 million), will be used to develop compounded NCM and hybrid phosphate systems.

(ii) approximately 1.5% of the net proceeds, or HK$13.9 million (equivalent to approximately RMB12.8 million), will be used to optimize the next-generation intelligent manufacturing capabilities to improve manufacturing efficiency and product quality, such as root cause analysis system, contactless vision system, quality system for winding and coating, and multi-layer coating technology;

(iii) approximately 1.5% of the net proceeds, or HK$13.9 million (equivalent to approximately RMB12.8 million), will be used for the development of high-power battery cells and battery systems for application in low-altitude economy scenarios and related industries, which are expected to reach an overall market size of RMB1,000.0 billion in 2030, according to the "Implementing Measures for the Innovative Application of General Aviation Equipment (2024-2030)" jointly promulgated by the Ministry of Industry and Information Technology, Ministry of Science and Technology, Ministry of Finance, and Civil Aviation Administration of China;

(iv) approximately 1.0% of the net proceeds, or HK$9.3 million (equivalent to approximately RMB8.6 million), will be used to further develop semi-solid-state and solid-state battery products and technologies, which improves thermal stability and battery safety; and

(v) approximately 1.0% of the net proceeds, or HK$9.3 million (equivalent to approximately RMB8.6 million), will be used for the development of high energy density ultra-fast charging battery products and technologies, focusing on the standardized battery cells, platformed battery packs and diversified electrochemistries and advanced materials to improve battery performance in terms of charging speed.

3. approximately 10.0% of the net proceeds, or HK$92.8 million (equivalent to approximately RMB85.6 million), will be used for providing funding for working capital and other general corporate purposes.

If the Over-allotment Option is not exercised, the net proceeds that we will receive will be approximately HK$927.5 million, at the Offer Price of HK$8.27 per Share, and after deducting the underwriting fees and commissions payable by our Company.

If the Over-allotment Option is exercised in full, the net proceeds that we will receive will be approximately HK$1,073.7 million, at the Offer Price of HK$8.27 per Share, and after deducting the underwriting fees and commissions payable by our Company.

To the extent that our net proceeds are not sufficient to fund the purposes set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings. To the extent that the net proceeds from the Global Offering are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, they will be placed in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions). We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

## THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors, namely (i) Jiangsu Mixed Ownership Reform Fund, (ii) Suzhou High-end Equipment Fund, and (iii) Southeast Investment Holding as set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, cause their designated entities to subscribe at the Offer Price for a certain number of Offer Shares (rounded down to nearest whole board lot of 300 H Shares) that may be purchased for an aggregate amount of US$79.9 million (approximately HK$621.0 million, exclusive of brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee) (the "**Cornerstone Placing**"). The calculations in this section, which are based on the exchange rate as disclosed in the section headed "Information about this Prospectus and the Global Offering", are for illustration purpose.

Based on the Offer Price of HK$8.27 per H Share, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 75,091,500 Offer Shares, representing approximately (i) 61.79% of the H Shares offered pursuant to the Global Offering (assuming the Over-allotment Option is not exercised); (ii) 2.99% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (iii) 2.97% of our total issued share capital immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Our Company is of the view that, (i) the Cornerstone Investments will ensure a reasonable size of solid commitment at the beginning of the marketing period of the Global Offering and will provide confidence to the market, and (ii) leveraging on the investment experience of the Cornerstone Investors, the Cornerstone Placing will help to raise the profile of our Company and to signify that such investors have confidence in our business and prospect. Our Company became acquainted with each of the Cornerstone Investors in its ordinary course of operation through the business network of our Group, introduction by our existing Shareholder(s), or previous financing.

Among the Cornerstone Investors, Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment Fund are close associates of two existing Shareholders, namely Suzhou Suchuang Energy Investment Partnership (L.P.) (蘇州蘇創新能源投資合夥企業(有限合夥)) ("**Suchuang Energy Investment**") and Nanjing Konggang Hub Economic Zone Investment Development Co., Ltd (南京空港樞紐經濟區投資發展有限公司) (formerly known as Nanjing Lukou Konggang Investment Development Co., Ltd. (南京祿口空港投資發展有限公司)) ("**Nanjing Konggang**"), which together hold approximately 2.49% of the total issued share capital of the Company immediately prior to the Global Offering. Suchuang Energy Investment, being a limited partnership established under the laws of the PRC conducting venture capital investments and R&D of emerging energy technologies, is ultimately controlled by Suzhou Finance Bureau (蘇州市財政局). Nanjing Konggang, being a limited liability company established under the laws of the PRC and primarily engaged in land and infrastructure development, construction, property management, information distribution and logistics-related services, is ultimately controlled by Nanjing Jiangning Economic and Technological Development Zone Management Committee (南京江寧經濟技術開發區管理委員會). For details on Suchuang Energy Investment and Nanjing Konggang, see "History, Reorganization and Corporate Structure—Pre-IPO Investments—5. Information about the Pre-IPO Investors." Suzhou Finance Bureau and Nanjing Jiangning Economic and Technological Development Zone Management Committee are government bodies of Jiangsu Province. Our Cornerstone Investors, Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment Fund, are respectively ultimately controlled by Jiangsu Provincial People's Government (江蘇省人民政府) and Suzhou Finance Bureau, being government bodies of Jiangsu Province. Accordingly, Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment Fund, as close associates of Suchuang Energy Investment and Nanjing Konggang, have been permitted to participate in the Cornerstone Placing pursuant to a waiver from strict compliance with the requirements under Rule 10.04 of, and consent under paragraph 5(2) of Appendix F1 to, the Listing Rules and Chapter 4.15 of the Guide for New Listing Applicants as further described in the section headed "Waivers" in this Prospectus.

For the purpose of the Existing Shareholder Conditions under paragraph 13 of Chapter 4.14 of the Guide for New Listing Applicants, Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment Fund are not regarded as close associates of the Changshu Entities, details of which are explained in the section headed "Waivers" in this Prospectus. For the purpose of public float of the Company under Rule 8.08 of the Listing Rules, the shareholding of all state-owned shareholders within the Jiangsu Province are aggregated. As Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment Fund, together with the Changshu Entities (as defined below), will collectively hold over 10% of our total issued Shares immediately following completion of the Global Offering, the Offer Shares to be subscribed for by Jiangsu Mixed Ownership Reform Fund and Suzhou High-end Equipment Fund will not count towards the public float of the Company under Rule 8.08 of the Listing Rules. For further details, see "History, Reorganization and Corporate Structure—Public Float".

In addition, Southeast Investment Holding, an existing Shareholder and a close associate of two other existing Shareholders, namely, the other Changshu Entities (as defined below), has been permitted to participate in the Cornerstone Placing pursuant to a waiver from strict compliance with the requirements under Rule 9.09(b) and Rule 10.04 of, and consent under paragraph 5(2) of Appendix F1 to, the Listing Rules and Chapter 4.15 of the Guide for New Listing Applicants as further described in the section headed "Waivers" in this Prospectus.

To the best knowledge of our Company and save for the facts of the relationship of the relevant Cornerstone Investors and the existing Shareholders as disclosed in this section, (i) each of the Cornerstone Investors and their respective ultimate beneficial owners is an Independent Third Party and is independent of the Group, its connected persons and their respective close associates; (ii) none of the Cornerstone Investors is accustomed to taking instructions from our Company, the Directors, the Supervisors, chief executive, our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of their respective subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares; (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company, the Directors, the Supervisors, chief executive, our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of their respective subsidiaries or their respective close associates; (iv) each Cornerstone Investor will be utilizing their proprietary funding or the proprietary funding of the funds under their management, as appropriate, as their source of funding for the subscription of the Offer Shares; and (v) no approval from another stock exchange is required for each Cornerstone Investor's investment in our Company as described in this section. The subscription of the Offer Shares by all Cornerstone Investors under the Cornerstone Investment Agreements is not required to be submitted to the shareholders of Cornerstone Investors' listed holding company (as the case may be) for approval.

The Cornerstone Placing will form part of the International Offering and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue. Immediately following the completion of the Global Offering, save as disclosed in this section and in the section headed "Substantial Shareholders" in this Prospectus, none of the Cornerstone Investors will become a substantial shareholder of the Company, and the Cornerstone Investors will not have any Board representation in our Company.

Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders. As confirmed by each of the Cornerstone Investors, their subscription under the Cornerstone Placing would be financed by their own internal resources or the funds under its management, and that they have sufficient funds to settle their respective investments under the Cornerstone Placing. There are no side arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing.

The total number of Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the paragraph headed "Structure of the Global Offering—The Hong Kong Public Offering—Reallocation" in this Prospectus. The number of Offer Shares to be acquired by each Cornerstone Investor may be reduced on a pro rata basis in accordance with the terms of the Cornerstone Investment Agreement to satisfy the short fall, after taking into account the requirements under Appendix F1 to the Listing Rules as well as the discretion of the Joint Representatives (for themselves and on behalf of the International Underwriters) to exercise the Over-allotment Option.

If there is over-allocation in the International Offering, the settlement of such over-allocation may be effected through delayed delivery of the Offer Shares to be subscribed by certain Cornerstone Investors under the Cornerstone Placing. Where delayed delivery takes place, each Cornerstone Investor that may be affected by such delayed delivery has agreed that it shall nevertheless pay for the relevant Offer Shares on or before 8:00 a.m. on the Listing Date. If there is no over-allocation in the International Offering, delayed delivery will not take place. As such, there will be no deferred settlement of the investment amount for the Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements. For details of the Over-allotment Option, please refer to the paragraph headed "Structure of the Global Offering—Over-allotment Option" in this Prospectus.

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around April 11, 2025.

## OUR CORNERSTONE INVESTORS

Set out below in the aggregate number of Offer Shares, and the corresponding percentages to the Offer Shares and our Company's total issued share capital under the Cornerstone Placing:

**Based on the Offer Price of HK$8.27**

| Name | Investment Amount[1] | Number of Offer Shares (rounded down to nearest whole board lot of 300 H Shares) | Approximately % of total number of Offer Shares | | Approximate % of H Shares in issue immediately following the completion of the Global Offering | | Approximately % of total Shares in issue immediately following the completion of the Global Offering | |
|---|---|---|---|---|---|---|---|---|
| | | | Assuming the Over-allotment Option is not exercised | Assuming the Over-allotment Option is fully exercised | Assuming the Over-allotment Option is not exercised | Assuming the Over-allotment Option is fully exercised | Assuming the Over-allotment Option is not exercised | Assuming the Over-allotment Option is fully exercised |
| | *(in millions)* | | | | | | | |
| Jiangsu Mixed Ownership Reform Fund. . . | US$13.5 | 12,692,100 | 10.44% | 9.08% | 0.88% | 0.87% | 0.51% | 0.50% |
| Suzhou High-end Equipment Fund . . . . . . . | US$27.6 | 25,942,500 | 21.35% | 18.56% | 1.80% | 1.78% | 1.03% | 1.03% |
| Southeast Investment Holding . . . . . | US$38.8 | 36,456,900 | 30.00% | 26.09% | 2.53% | 2.50% | 1.45% | 1.44% |
| **Total** . . . . . . . . | **US$79.9** | **75,091,500** | **61.79%** | **53.73%** | **5.22%** | **5.15%** | **2.99%** | **2.97%** |

*Note:*

(1) The investment amount is exclusive of brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee. The calculations are based on the exchange rate as disclosed in this Prospectus.

The following information about the Cornerstone Investors was provided to our Company by the Cornerstone Investors in relation to the Cornerstone Placing.

### *1. Jiangsu Mixed Ownership Reform Fund*

Jiangsu Mixed Ownership Reform Fund is a limited partnership established in the PRC, primarily engaged in private equity investment fund management and venture capital fund management services. The general partner of Jiangsu Mixed Ownership Reform Fund is Jiangsu Gaotou Venture Capital Management Co., Ltd. (江蘇高投創業投資管理有限公司) ("**Jiangsu Gaotou VC**"), which holds 1% of its equity interest. Jiangsu Gaotou VC is wholly-owned by Jiangsu Hi-Tech Investment Group Co., Ltd. (江蘇高科技投資集團有限公司) ("**Jiangsu Gaotou**"), a limited liability company controlled by Jiangsu Provincial People's Government (江蘇省人民政府). Jiangsu Gaotou Innovation Investment Co., Ltd. (江蘇高投創新投資有限責任公司) and Jiangsu Gaotou Chuangzhi Investment Co., Ltd. (江蘇高投創智投資有限責任公司), both of which are wholly-owned subsidiaries of Jiangsu Gaotou, are also limited partners of Jiangsu Mixed Ownership Reform Fund, and each holds 12% of the equity interest in Jiangsu Mixed Ownership Reform Fund. Jiangsu Mixed Ownership Reform Fund has 17 other limited partners, each holding no more than 10% equity interest.

For the purpose of this cornerstone investment, Jiangsu Mixed Ownership Reform Fund will subscribe for and hold the relevant number of the Offer Shares under the Cornerstone Investment Agreement through its wholly-owned subsidiary, Jiangsu Govtor Zhengli Technology Innovation Limited (江蘇高投正力科創有限公司).

### *2. Suzhou High-end Equipment Fund*

Suzhou High-end Equipment Fund is a limited partnership enterprise established in the PRC. Its principal activities are equity investment, investment management and asset management through private equity funds. The general partner of Suzhou High-end Equipment Fund is Suzhou Zhanxin Private Equity Fund Management Co., Ltd. (蘇州戰新私募基金管理有限公司) ("**Suzhou Zhanxin Fund**"), which holds 1% of its equity interest. Suzhou Zhanxin Fund is held as to 75% by Suzhou Innovation Investment Group Co., Ltd. (蘇州創新投資集團有限公司) ("**Suzhou Innovation Investment**"), which is ultimately controlled by the Suzhou Finance Bureau (蘇州市財政局), and as to 25% by Jiangsu Gaotou Zhanxin Private Equity Fund Management Co., Ltd. (江蘇高投戰新私募基金管理有限公司), which is ultimately controlled by the People's Government of Jiangsu Province (江蘇省人民政府). The limited partners of Suzhou High-end Equipment Fund include Jiangsu Strategic Emerging Industries Mother Fund Co., Ltd. (江蘇省戰略性新興產業母基金有限公司), which is ultimately controlled by the People's Government of Jiangsu Province (江蘇省人民政府), holding 25% of its limited partnership interest; Suzhou Wujiang Dongfang State-owned Capital Investment and Management Co., Ltd. (蘇州市吳江東方國有資本投資經營有限公司), which is ultimately controlled by the State-owned Assets Supervision and Administration Office of Wujiang District Government of Suzhou (蘇州市吳江區人民政府國有資產監督管理辦公室), holding approximately 22.83% of its limited partnership interest; and Suzhou Innovation Investment, holding 15.33% of its limited partnership interest. There are 16 other limited partners of Suzhou High-end Equipment Fund and each of them holds no more than 10% equity interest therein.

For the purpose of the Cornerstone Investment, Suzhou High-end Equipment Fund will subscribe for and hold the relevant number of the Offer Shares under the Cornerstone Investment Agreement through its wholly-owned subsidiary, HONGKONG ZENGERSC LIMITED (香港正力蘇創有限公司).

### 3. *Southeast Investment Holding*

Changshu Southeast Investment Holding Co., Ltd. (常熟市東南投資控股有限公司) ("**Southeast Investment Holding**"), our existing Shareholder, is a limited liability company established under the laws of the PRC on October 14, 2022. Southeast Investment Holding is a close associate of two existing Shareholders, namely, Changshu Southeast Industrial Investment Co., Ltd. (常熟東南產業投資有限公司) ("**Southeast Investment**") and Changshu Southeast Xinneng Equity Investment Partnership (L.P.) (常熟東南新能股權投資合夥企業(有限合夥)) ("**Southeast Xinneng**", and together with Southeast Investment and Southeast Investment Holding, the "**Changshu Entities**"). For details on Changshu Entities, see "History, Reorganization and Corporate Structure—Pre-IPO Investments—5. Information about the Pre-IPO Investors."

For the purpose of the Cornerstone Investment, Southeast Investment Holding will subscribe for and hold the relevant number of the Offer Shares under the Cornerstone Investment Agreement through its wholly-owned subsidiary, HongKong ZengerHT Limited (香港正力宏圖有限公司).

## CLOSING CONDITIONS

The obligation of each Cornerstone Investor to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;

(ii) the Offer Price having been agreed according to the Underwriting Agreements and price determination agreement to be signed among the parties thereto in connection with the Global Offering;

(iii) the Listing Committee having granted the listing of, and permission to deal in, the H Shares (including the H Shares subscribed for by the Cornerstone Investors as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(iv) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the respective Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the respective representations, warranties, acknowledgments, undertakings and confirmations of the relevant Cornerstone Investor under the relevant Cornerstone Investment Agreement are (as of the date of the respective Cornerstone Investment Agreement) and will be (as of the Listing Date) accurate and true in all respects or material respects (as the case may be) and not misleading or not misleading in any material respect (as the case may be) and that there is no material breach of the respective Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

## RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months from and including the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

## HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
CMB International Capital Limited
CCB International Capital Limited
China Industrial Securities International Capital Limited
Huafu International Securities Limited
ICBC International Securities Limited
CEB International Capital Corporation Limited
BOCI Asia Limited
ABCI Securities Company Limited
Patrons Securities Limited
Futu Securities International (Hong Kong) Limited
Tiger Brokers (HK) Global Limited
Livermore Holdings Limited

## UNDERWRITING ARRANGEMENTS

### Hong Kong Public Offering

#### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, the Company is offering 12,152,400 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on and subject to the terms and conditions of this Prospectus at the Offer Price.

Subject to the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option), and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to severally (and not jointly or jointly and severally) to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this Prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

***Grounds for Termination***

The Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) shall, in their sole and absolute discretion, be entitled by notice to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(A) there develops, occurs, exists or comes into force:

(a) any event or series of events, whether in continuation, or circumstances in the nature of force majeure (including, without limitation, acts of government, labor disputes, strikes, lock-outs, fire, explosion, earthquake, flooding, tsunami, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war (whether declared or undeclared), acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption or delay in transportation, destruction of power plant, outbreak, escalation, mutation or aggravation of diseases, epidemics or pandemics including, but not limited to, COVID-19, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9, Ebola virus, Middle East respiratory syndrome (MERS) and such related/mutated forms, economic or comprehensive sanction, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in whatever form, political change, paralysis of government operations, other industrial action) in or directly or indirectly affecting Hong Kong, the PRC, Singapore, Japan, Russia, the United States, the United Kingdom, the European Union (or any member thereof) or any other jurisdiction relevant to any member of the Group or the Global Offering (each a "**Relevant Jurisdiction**" and collectively, the "**Relevant Jurisdictions**"); or

(b) any change or any development involving a prospective change or development, or any event or circumstances or series of events likely to result in or representing a change or development or prospective change or development, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a change of the Hong Kong dollars or of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or

(c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Singapore Exchange Limited or the Tokyo Stock Exchange; or

(d) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent governmental authority), New York (imposed at the U.S. Federal or New York State level or other competent governmental authority), Russia, London, Singapore, the PRC, the European Union (or any member thereof), Japan or any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any Relevant Jurisdiction; or

(e) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or

(f) the imposition of economic or comprehensive sanctions or export control under any sanctions laws or regulations in, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions on the Company or any member of the Group; or

(g) any change or development involving a prospective change or amendment in or affecting taxation or exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a change of the United States dollars, the Hong Kong dollars or RMB, against any foreign currencies, a change in the system under which the value of the Hong Kong dollars is linked to that of the United States dollars or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or adversely affecting an investment in the Offer Shares; or

(h) any litigation, dispute, arbitration, legal action, proceeding or claim or regulatory or administrative investigation or action being threatened, instigated or announced against the Company, any member of the Group, any Director, Supervisor or member of the senior management of the Company or any of the Controlling Shareholders; or

(i) any Director, Supervisor or member of the senior management of the Company vacating his/her office; or

(j) any contravention of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law or the Listing Rules or any other applicable Laws by the Company, any member of the Group, any Director, Supervisor or member of the senior management of the Company or any of the Controlling Shareholders; or

(k) issue or requirement to issue by the Company of a supplemental or amendment to this prospectus, the preliminary offering circular or the offering circular or other documents in connection with the offer and sale of the H Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules, or upon any requirement or request of the Stock Exchange, or the SFC; or

(l) any change or development involving a prospective change which has the effect of materialization of any of the risks set out in section headed "Risk Factors" in this prospectus; or

(m) any demand by creditors for repayment of indebtedness or a petition being presented for the winding-up or liquidation of any member of the Group, or any member of the Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(n) any adverse change or prospective adverse change in the earnings, results of operations, business, business prospects, financial or trading position, conditions (financial or otherwise) or prospects of any member of the Group (including any litigation or claim of any third party being threatened or instigated against any member of the Group),

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters):

(a) is or will be or may be materially adverse to, or materially and prejudicially affects, the assets, liabilities, general affairs, business, management, shareholder's equity, profit, losses, earnings, results of operations, performance, position or condition (financial, operational or otherwise), or prospects of the Company or the Group as a whole or to any present or prospective shareholder of the Company in its capacity as such;

(b) has or will have or may have a material adverse effect on the success or marketability of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make or may make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged;

(c) makes or will make it or may make it inadvisable, inexpedient, impracticable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the formal notice, the preliminary offering circular or the offering circular; or

(d) had or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents or delays the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(B) there has come to the notice of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) that:

(a) any statement contained in the Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Global Offering (including any supplement or amendment thereto) (collectively, the "**Offer Related Document**") was or has become, untrue, incorrect, inaccurate, incomplete in any respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or, where appropriate, based on reasonable assumptions;

(b) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus, the preliminary offering circular or the offering circular or any other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(c) any contravention by the Company, any member of the Group of any applicable law; or

(d) any material non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares), the CSRC filings or any aspect of the Global Offering with the Listing Rules or any other applicable law; or

(e) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes an omission from, or misstatement in, any of the Offer Related Documents;

(f) either (i) there has been a breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Company and/or Controlling Shareholders; or (ii) any of the representations, warranties and undertakings given by the Company and/or the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading; or

(g) any breach of any of the obligations of the Company and/or the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto); or

(h) any event, act or omission which gives or is likely to give rise to any liability of the Company and/or the Controlling Shareholders pursuant to the indemnities given by the Company and/or the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(i) any litigation or dispute, which would materially and adversely affect the operation, financial condition or reputation of the Group; or

(j) any cornerstone investor is unlikely to fulfil its obligation under the respective agreement; or

(k) any material adverse change, prospective material adverse change or any development involving a prospective material adverse change, in the assets, liabilities, business, general affairs, management, shareholders' equity, profits, losses, properties, earnings, solvency, liquidity position, funding, results of operations, performance, position or condition (financial, operational or otherwise) or prospects of the Company and its subsidiaries, as a whole; or

(l) any breach of, or any event or circumstance rendering untrue or incorrect, incomplete or misleading in any respect, any of the warranties contained in the Hong Kong Underwriting Agreement; or

(m) any of the chairperson, general manager, chief financial officer or Director, Supervisor, chief executive of the Company vacating his/her office; or

(n) the grant or agreement to grant by the Listing Committee of the Stock Exchange of the listing on the Main Board of, and permission to deal on the Main Board in, the H Shares (the "**Admission**") is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the Admission is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(o) the Company has withdrawn this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(p) any expert whose consent is required for the issue of the prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears, has withdrawn its respective consent (other than the Joint Sponsors) prior to the issue of the prospectus; or

(q) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling the Offer Shares (including H Shares to be issued upon the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(r) any Director, Supervisor or member of senior management of the Company is being charged with an indictable offence or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company or that there is the commencement by any governmental, political or regulatory body of any investigation or other action against any Director, Supervisor or member of senior management of the Company in his/her capacity as such or any member of the Group, or an announcement by any governmental, political or regulatory body that it intends to commence any such investigation or take any such action; or

(s) any order or petition for the winding-up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(t) a significant portion of the orders placed or confirmed in the bookbuilding process at the time of the International Underwriting Agreement is entered into or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled.

***Undertaking to the Stock Exchange pursuant to the Listing Rules***

*Undertakings by the Company*

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Hong Kong Stock Exchange that it will not issue any further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) or form the subject of any agreement to such issue within six months from the date on which our Shares first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering (including the exercise of the Over-allotment Option) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

*Undertakings by the Controlling Shareholders*

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders and the Financial Investors has undertaken to the Hong Kong Stock Exchange that, except pursuant to the Global Offering and the Over-allotment Option, it shall not and shall procure that the relevant registered holders of the Shares in which it is beneficially interested shall not, unless in compliance with the requirements of the Listing Rules,

(a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the period referred to in the preceding paragraph expires, dispose of, or enter into any agreement to dispose of or otherwise create, any options, rights, interests or encumbrances in respect of, any of the Shares referred to in the preceding paragraph to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a Controlling Shareholder of our Company or a member of the group of Controlling Shareholders of our Company or would together with the other Controlling Shareholders cease to be Controlling Shareholders of our Company.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders and the Financial Investors has further undertaken to the Hong Kong Stock Exchange and to the Company that within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it shall:

(a) when it pledges or charges any Shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of Shares so pledged or charged; and

(b) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform the Company in writing of such indications.

***Undertakings pursuant to the Hong Kong Underwriting Agreement***

*Undertakings by the Company*

The Company has undertaken to each of the Joint Sponsors, the Sponsor-overall Coordinators, the Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date falling six months after the Listing Date (the "**First Six-Month Period**"), it will not, and will procure each other member of the Group not to, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, transfer, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represents the right to receive, or any warrants or other rights to purchase any share capital or other securities of the Company, as applicable), or deposit any share capital or other securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of the H Shares or any other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or any other securities of the Company or any shares or other securities of such other member of the Group, as applicable); or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer to or agree to do any of the foregoing or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities of the Company in cash or otherwise (whether or not the issue of share capital or such other securities will be completed within the First Six-Month Period). The Company further agrees that, in the event the Company is allowed to enter into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), it will take all reasonable steps to ensure that such an issue or disposal will not create a disorderly or false market for any Shares or other securities of the Company.

The Company has agreed and undertaken that it will comply with the minimum public float requirements specified in the Listing Rules or any waiver granted and not revoked by the Stock Exchange (the "**Minimum Public Float Requirement**") and it will not effect any purchase of H Shares, or agree to do so, which may reduce the holdings of H Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below the Minimum Public Float Requirement on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters).

*Undertakings by Controlling Shareholders*

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of the Company, the Joint Sponsors, the Sponsor-Overall Coordinators, the Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), it will not, and will procure that none of its associates, the Financial Investors or their respective associates will, without the prior written consent of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters):

(a) at any time during the First Six-Month Period:

(i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, hypothecate, assign, contract to allot, issue or sell, sell any option, warrant or contract to purchase, purchase any option, warrant or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities of the Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any H Shares or share capital or securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or any such other securities, as applicable or any interest in any of the foregoing); or

(iii) engage into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above.

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities of our Company, in cash or otherwise (whether or not the issue of share capital or such other securities will be completed within the First Six-Month Period);

(b) during the Second Six-Month Period, enter into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following such transaction, it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

## Indemnity

The Company has agreed to indemnify, among others, the Joint Sponsors, Joint Representatives, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, among other matters, losses incurred arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

## Commissions and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.00% of the aggregate Offer Price payable for the Hong Kong Offer Shares offered under the Hong Kong Public Offering (excluding any Hong Kong Offer Shares reallocated to the International Offering), and the International Underwriters are expected to receive an underwriting commission of 2.00% of the aggregate Offer Price payable for the International Offer Shares offered under the International Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering and International Offer Shares reallocated to the Hong Kong Public Offering, if any, the Company will pay an underwriting commission at the rate applicable to the International Offering as set out in the International Underwriting Agreement, and such commission will be paid to the Joint Representatives (for themselves and on behalf of the International Underwriters), and no underwriting commission will be paid to the Hong Kong Underwriters for such reallocated Offer Shares. In addition, at the discretion of the Company, the Underwriters may also receive an incentive fee of not more than 1.00% of the aggregate Offer Price in respect of all the Offer Shares to be issued by the Company under the Global Offering (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option). The ratio of fixed fee and discretionary fee payable by the Company to all syndicate members participating in the Global Offering is expected to be approximately 67:33 (assuming the discretionary incentive fee will be paid in full).

Assuming the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full, the aggregate commissions and fees, together with the Hong Kong Stock Exchange listing fees, the Hong Kong Stock Exchange trading fee of 0.00565%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015%, legal and other professional fees and printing and other expenses relating to the Global Offering, payable by us, are estimated to be approximately HK$82.1 million, which is subject to adjustment to be agreed by the Company, the Joint Representatives and other parties.

Each of the Joint Sponsors will receive a fee of US$300,000 for acting as a sponsor for the Listing. As of the Latest Practicable Date, US$150,000 remained payable by the Company to each of the Joint Sponsors.

**Hong Kong Underwriters' Interests in the Company**

Save for the obligations under the Hong Kong Underwriting Agreement and as disclosed in this Prospectus, none of the Hong Kong Underwriters has any shareholding or beneficial interests in any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

**International Offering**

In connection with the International Offering, it is expected that the Company will enter into the International Underwriting Agreement with, among others, the Joint Representatives (for themselves and on behalf of the International Underwriters) on or about April 10, 2025. Under the International Underwriting Agreement and subject to the Over-allotment Option, it is expected that the International Underwriters would, subject to certain conditions set out therein, severally but not jointly, agree to procure purchasers for, or to purchase, the International Offer Shares being offered pursuant to the International Offering or procure purchasers for their respective applicable proportions of International Offer Shares. Please refer to the section headed "Structure of the Global Offering—The International Offering" in this prospectus for details.

***Over-allotment Option***

The Company expects to grant to the International Underwriters, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to issue up to 18,228,300 H Shares by the Company, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any.

**Joint Sponsors' Independence**

The Joint Sponsors satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. Please refer to the section headed "Statutory and General Information—Other Information—Joint Sponsors" in Appendix IV to this Prospectus.

## RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in China or the United States.

## ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activity could occur in Hong

Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

## THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited are the Joint Representatives of the Global Offering.

The listing of the H Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued as mentioned in this prospectus.

121,523,700 Offer Shares will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 12,152,400 H Shares (subject to reallocation) in Hong Kong as described in the sub-section "The Hong Kong Public Offering" in this section below; and

(b) the International Offering of initially 109,371,300 H Shares (subject to reallocation and the Over-allotment Option) outside the United States in offshore transactions in reliance on Regulation S as described in the sub-section headed "The International Offering" this section below.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 4.84% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares (including H Shares issued pursuant to the full exercise of the Over-allotment Option) will represent approximately 5.53% of the total Shares in issue immediately following the completion of the Global Offering and the issue of Offer Shares pursuant to the Over-allotment Option.

References in this prospectus to applications, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

## THE HONG KONG PUBLIC OFFERING

### Number of Offer Shares initially offered

Our Company is initially offering 12,152,400 H Shares (subject to reallocation) for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 10% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the sub-section headed "Conditions of the Global Offering" in this section.

### Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally into two pools (with any odd lots being allocated to pool A): pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 6,076,200 Hong Kong Offer Shares (being approximately 50% of the Hong Kong Offer Shares initially available under the Hong Kong Public Offering) is liable to be rejected.

**Reallocation**

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares to be offered under the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached.

Assuming that the Over-allotment Option is not exercised, the allocation of the Offer Shares shall be subject to reallocation on the following basis:

- 12,152,400 Offer Shares are initially available in the Hong Kong Public Offering representing approximately 10% of the Offer Shares initially available under the Global Offering.

In the event that the International Offer Shares are fully subscribed or over-subscribed:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times of the total number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 36,457,200 Offer Shares, representing approximately 30% of the total number of Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times of the total number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 48,609,600 Offer Shares, representing approximately 40% of the total number of Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more of the total number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 60,762,000 Offer Shares, representing 50% of the total number of Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Representatives (for themselves and on behalf of the Underwriters). Subject to the foregoing paragraph, the Joint Representatives may in their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed for, the Joint Representatives (for themselves and on behalf of the Underwriters) has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate.

In addition, the Joint Representatives (for themselves and on behalf of the Underwriters) may, at its discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in pool A and pool B under the Hong Kong Public Offering.

In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or over-subscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, in accordance with Chapter 4.14 of the Guide for New Listing Applicants published by the Stock Exchange, certain Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the maximum number of the Offer Shares available under the Hong Kong Public Offering will be increased to 24,304,800 Offer Shares, representing twice of the number of the Offer Shares initially available under the Hong Kong Public Offering (before any exercise of the Over-allotment Option).

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, which is expected to be published on Friday, April 11, 2025.

**Applications**

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/her/it is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he/she/it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, (subject to application channel) the price of HK$8.27 per Offer Share in addition to the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$2,506.02 for one board lot of 300 H Shares. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

## THE INTERNATIONAL OFFERING

**Number of Offer Shares initially offered**

The International Offering will consist of an initial offering of 109,391,300 H Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 10% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

**Allocation**

The International Offering will include selective marketing of Offer Shares institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in sub-section headed "Pricing and Allocation" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares and/or hold or sell its H Shares after the Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Joint Representatives (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Representatives so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

**Reallocation**

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the subsection "The Hong Kong Public Offering—Reallocation" in this section above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

## OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Representatives (for themselves and on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to an aggregate of 18,228,300 additional H Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, cover over-allocations (if any) in the International Offering.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 0.72% of the total Shares in issue immediately following the completion of the Global Offering and the issue of Offer Shares pursuant to the Over-allotment Option. If the Over-allotment Option is exercised, an announcement will be made.

## STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager (or its affiliates or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or its affiliates or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or its affiliates or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of our Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares, (c) purchasing, or agreeing to purchase, the H Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares, (e) selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilizing Manager (or its affiliates or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the H Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or its affiliates or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilizing Manager (or its affiliates or any person acting for it) and selling in the open market may have an adverse impact on the market price of the H Shares;

(d) no stabilizing action can be taken to support the price of the H Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;

(e) the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

(f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

In order to effect stabilization actions, the Stabilizing Manager will arrange cover of up to an aggregate of 18,228,300 H Shares, representing up to 15% of the initial Offer Shares, through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be paid on the Listing Date. Both the size of such cover and the extent to which the Over-allotment Option can be exercised will depend on whether arrangements can be made with investors such that a sufficient number of H Shares can be delivered on a delayed basis. If no investor in the International Offering agrees to the delayed delivery arrangements, no stabilizing actions will be undertaken by the Stabilizing Manager and the Over-allotment Option will not be exercised.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

**Over-Allocation**

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilizing Manager (or its affiliates or any person acting for it) may cover such over-allocations by exercising the Over-allotment Option in full or in part, by using H Shares purchased by the Stabilizing Manager (or its affiliates or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, or by a combination of these methods.

## PRICING AND ALLOCATION

### Price Payable on Application

Applicants under the Hong Kong Public Offering required to pay, on application (subject to application channel) the Offer Price of HK$8.27 per H Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, amounting to a total of HK$2,506.02 for one board lot of 300 H Shares.

### Reduction in Offer Price and/or Number of Offer Shares

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Representatives (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of our Company, reduce the number of Offer Shares offered and/or the Offer Price stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company and the Stock Exchange at **www.zenergy.cn** and **www.hkexnews.hk**, respectively, notices of the reduction of the Offer Shares and/or the Offer Price, and the cancellation of the Global Offering and relaunch of the offer at the revised number of Offer Shares and/or the revised Offer Price. Our Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. The Global Offering must first be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction.

### Announcement of Basis of Allocations

The level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Offer Shares—B. Publication of Results".

## UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or about April 10, 2025.

These underwriting arrangements, including the Underwriting Agreements, are summarized in the section headed "Underwriting" in this prospectus.

## CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such approval and permission not subsequently having been withdrawn or revoked prior to the Listing Date;

(b) the execution and delivery of the International Underwriting Agreement on or about April 10, 2025; and

(c) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of our Company and the Stock Exchange at **www.zenergy.cn** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares—D. Despatch/Collection of H Share Certificates and Refund of Application Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

H Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Monday, April 14, 2025, provided that the Global Offering has become unconditional in all respects at or before that time.

## DEALINGS IN THE H SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, April 14, 2025, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, April 14, 2025.

The H Shares will be traded in board lots of 300 H Shares each and the stock code of the H Shares will be 3677.

**IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES**

**FULLY ELECTRONIC APPLICATION PROCESS**

**We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.**

**This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at www.zenergy.cn.**

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

## A. APPLICATION FOR HONG KONG OFFER SHARES

### 1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address *(for the* **White Form eIPO** service *only).*

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates; or
- are a Director or any of his/her close associates.

### 2. Application Channels

**The Hong Kong Public Offering period will begin at 9:00 am on Thursday, April 3, 2025 and end at 12:00 noon on Wednesday, April 9, 2025 (Hong Kong time).**

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

| Application Channel | Platform | Target Investors | Application Time |
|---|---|---|---|
| **White Form eIPO** service . . . . . . . . | **www.eipo.com.hk** | Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name. | From 9:00 a.m. on Thursday, April 3, 2025 to 11:30 a.m. on Wednesday, April 9, 2025, Hong Kong time.<br><br>The latest time for completing full payment of application monies will be 12:00 noon on Wednesday, April 9, 2025, Hong Kong time. |
| **HKSCC EIPO** channel . . . . . . . | Your broker or custodian who is a HKSCC Participant will submit **electronic application instructions** on your behalf through HKSCC's FINI system in accordance with your instruction | Investors who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account. | Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian. |

The **White Form eIPO** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorized the **White Form eIPO** service provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

## 3. Information Required to Apply

You must provide the following information with your application:

**For Individual/Joint Applicants**

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. HKID card; or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

**For Corporate Applicants**

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. LEI registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

*Notes:*

1. If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong Address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.
2. The applicant's full name as shown on their identity document must be used and the surname, given name, middle and other names (if any) must be input in the same order as shown on the identity document. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card (including both Hong Kong Residents and Hong Kong Permanent Residents), the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.
3. If the applicant is a trustee, the client identification data ("CID") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.
4. The maximum number of joint account holders on FINI is capped at 4[1] in accordance with market practice.

1 Subject to change, if the Company's Articles of Incorporation and applicable company law prescribe a lower cap.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.
6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Joint Representatives, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

## 4. Permitted Number of Hong Kong Offer Shares for Application

| | | |
|---|---|---|
| **Board lot size** . . . . . . . . | : | 300 H Shares |
| **Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment** . . . . . . . . . . | : | Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.<br><br>The Offer Price is HK$8.27 per H Share.<br><br>If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong. You are responsible for complying with any such pre-funding requirement imposed by your broker or custodian with respect to the Hong Kong Offer Shares you applied for. |

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the Designated Bank for your broker or custodian.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

| No. of Hong Kong Offer Shares applied for | Amount payable(2) on application | No. of Hong Kong Offer Shares applied for | Amount payable(2) on application | No. of Hong Kong Offer Shares applied for | Amount payable(2) on application | No. of Hong Kong Offer Shares applied for | Amount payable(2) on application |
|---|---|---|---|---|---|---|---|
| | *HK$* | | *HK$* | | *HK$* | | *HK$* |
| 300 | 2,506.02 | 9,000 | 75,180.63 | 90,000 | 751,806.27 | 1,500,000 | 12,530,104.43 |
| 600 | 5,012.04 | 12,000 | 100,240.84 | 105,000 | 877,107.31 | 1,800,000 | 15,036,125.31 |
| 900 | 7,518.06 | 15,000 | 125,301.05 | 120,000 | 1,002,408.35 | 2,100,000 | 17,542,146.20 |
| 1,200 | 10,024.08 | 18,000 | 150,361.25 | 135,000 | 1,127,709.39 | 2,700,000 | 22,554,187.96 |
| 1,500 | 12,530.10 | 21,000 | 175,421.46 | 150,000 | 1,253,010.44 | 3,300,000 | 27,566,229.74 |
| 1,800 | 15,036.12 | 24,000 | 200,481.67 | 300,000 | 2,506,020.89 | 3,900,000 | 32,578,271.50 |
| 2,100 | 17,542.15 | 27,000 | 225,541.88 | 450,000 | 3,759,031.32 | 4,500,000 | 37,590,313.28 |
| 2,400 | 20,048.17 | 30,000 | 250,602.09 | 600,000 | 5,012,041.76 | 5,400,000 | 45,108,375.94 |
| 2,700 | 22,554.18 | 45,000 | 375,903.14 | 750,000 | 6,265,052.21 | 6,076,200(1) | 50,756,947.00 |
| 3,000 | 25,060.21 | 60,000 | 501,204.18 | 900,000 | 7,518,062.65 | | |
| 6,000 | 50,120.41 | 75,000 | 626,505.22 | 1,200,000 | 10,024,083.55 | | |

(1) Maximum number of Hong Kong Offer Shares you may apply for.

(2) This is 50% of the Hong Kong Offer Shares initially offered, and the amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the H Share Registrar (for applications made through the application channel of the H Share Registrar) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

**5. Multiple Applications Prohibited**

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "*—A. Application for Hong Kong Offer Shares—3. Information Required to Apply*" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply for any Global Offer Shares.

**6. Terms and Conditions of an Application**

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) undertake to execute all relevant documents and instruct and authorize us and/or the Joint Representatives, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(vi) agree that the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company's respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "**Relevant Persons**"), the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "*—G. Personal Data—3. Purposes*" and "*4. Transfer of personal data*" in this section;

(viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "—B. Publication of Results" in this section;

(x) confirm that you are aware of the situations specified in the paragraph headed "*—C. Circumstances in Which You Will not Be Allocated Hong Kong Offer Shares*" in this section;

(xi) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;

(xiv) warrant that the information you have provided is true and accurate;

(xv) confirm that you understand that we and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the H Share Registrar or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

## B. PUBLICATION OF RESULTS

### Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

| Platform | | Date/Time |
|---|---|---|
| Applying through **White Form eIPO** service or **HKSCC EIPO** channel: | | |
| Website . . | The designated results of allocation at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function. | 24 hours, from 11:00 p.m. on Friday, April 11, 2025 to 12:00 midnight on Thursday, April 17, 2025 (Hong Kong time) |
| | The full list of (i) wholly or partially successful applicants using the **White Form eIPO** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the "Allotment Results" page of the **White Form eIPO** service at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**). | |
| | The Stock Exchange's website at **www.hkexnews.hk** and our website at **www.zenergy.cn** which will provide links to the above mentioned websites of the H Share Registrar. | No later than 11:00 p.m. on Friday, April 11, 2025 (Hong Kong time). |
| Telephone. | +852 2862 8555 — the allocation results telephone enquiry line provided by the H Share Registrar | between 9:00 a.m. and 6:00 p.m. on, from Monday, April 14, 2025 to Thursday, April 17, 2025 (Hong Kong time) on a business day |

For those applying through **HKSCC EIPO** channel, you may also check with your broker or custodian from 6:00 p.m. on Thursday, April 10, 2025 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Thursday, April 10, 2025 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

**Allocation Announcement**

We expect to announce the results of the final price, the level of indications of interest in the Global Offer, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.zenergy.cn** by no later than 11:00 p.m. on Friday, April 11, 2025 (Hong Kong time).

## C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

**1. If your application is revoked:**

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

**2. If we or our agents exercise our discretion to reject your application:**

We, the Joint Representatives, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**3. If the allocation of Hong Kong Offer Shares is void:**

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

**4. If:**

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "*—A. Application for Hong Kong Offer Shares—5. Multiple Applications Prohibited*" in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;

- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Joint Representatives believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

**5. If there is money settlement failure for allotted H Shares:**

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank(s) will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their Designated Bank.

**There is a risk of money settlement failure.** In the extreme event of money settlement failure by a HKSCC Participant (or its Designated Bank), who is acting on your behalf in settling payment for your allotted H Shares, HKSCC will contact the defaulting HKSCC Participant and its Designated Bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the Global Offer. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

## D. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid at 8:00 a.m. on Monday, April 14, 2025 (Hong Kong time), provided that the Global Offer has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

| | **White Form eIPO** service | **HKSCC EIPO** channel |
|---|---|---|
| **Despatch/collection of H Share certificate**[1] | | |
| **For physical H Share certificates of 1,000,000 or more Hong Kong Offer Shares issued under your own name** . . . . . . . . | Collection in person from our H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.<br><br>**Time:** from 9:00 a.m. to 1:00 p.m. on Monday, April 14, 2025 (Hong Kong time) | H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account |
| | If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop.<br><br>Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.<br><br>**Note:** If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk | No action by you is required |

1 Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or Extreme Conditions in force in Hong Kong in the morning on Friday, April 11, 2025 rendering it impossible for the relevant H Share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the Share Registrar to arrange for delivery of the supporting documents and H Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "—E. Severe Weather Arrangements" in this section.

| | **White Form eIPO** service | **HKSCC EIPO** channel |
|---|---|---|
| **For physical H Share certificates of less than 1,000,000 Hong Kong Offer Shares issued under your own name** . . . . . . . | Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk<br><br>**Time:** Friday, April 11, 2025 | |
| **Refund mechanism for surplus application monies paid by you** | | |
| **Date** . . . . . . . . . . | Monday, April 14, 2025 | Subject to the arrangement between you and your broker or custodian |
| **Responsible party** . | H Share Registrar | Your broker or custodian |
| **Application monies paid through single bank account** . . | **White Form** e-Refund payment instructions to your designated bank account | Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it |
| **Application monies paid through multiple bank accounts** . . . . . . | Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk | |

## E. SEVERE WEATHER ARRANGEMENTS

### The Opening and Closing of the Application Lists

The application lists will not open or close on Wednesday, April 9, 2025 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions,

(collectively, "**Severe Weather Signals**"), in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, April 9, 2025.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Severe** Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.zenergy.cn** of the revised timetable.

If a **Severe** Weather Signal is hoisted on Friday, April 11, 2025, the Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the CCASS Depository's service counter so that they would be available for trading on Monday, April 14, 2025.

If a **Severe** Weather Signal is hoisted on Monday, April 14, 2025:

- for physical H Share certificates of 1,000,000 or more offer shares issued under your own name, you may pick them up from the Share Registrar's office after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of Monday, April 14, 2025 or on Tuesday, April 15, 2025.

If a **Severe** Weather Signal is hoisted on Friday, April 11, 2025:

- for physical H Share certificates of less than 1,000,000 offer shares issued under your own name, despatch will be made by ordinary post when the post office re-opens after the **Severe** Weather Signal is lowered or cancelled (e.g. in the afternoon of Friday, April 11, 2025 or on Monday, April 14, 2025.

**Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.**

## F. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

## G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

### 1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

### 2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

**3. Purposes**

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **White Form** e-refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of the Company;
- verifying identities of applicants for and holders of the H Shares and identifying any duplicate applications for the H Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to applicants and holders of the H Shares and/or regulators and/or any other purposes to which applicants and holders of the H Shares may from time to time agree.

**4. Transfer of personal data**

Personal data held by the Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

**5. Retention of personal data**

The Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

**6. Access to and correction of personal data**

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the H Share Registrar, at their registered address disclosed in the section headed "Corporate information" in this prospectus or as notified from time to time, for the attention of the company secretary, or the H Share Registrar for the attention of the privacy compliance officer.

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

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**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JIANGSU ZENERGY BATTERY TECHNOLOGIES GROUP CO., LTD., CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED**

**Introduction**

We report on the historical financial information of Jiangsu Zenergy Battery Technologies Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-97, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2021, 2022, 2023 and 2024 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022, 2023 and 2024 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-97 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 3 April 2025 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2021, 2022, 2023 and 2024 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

***Dividends***

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

*Certified Public Accountants*
Hong Kong
3 April 2025

## I HISTORICAL FINANCIAL INFORMATION

**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | Year ended 31 December | | | |
|---|---|---|---|---|---|
| | | 2021 | 2022 | 2023 | 2024 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| REVENUE | 5 | 1,499,296 | 3,290,253 | 4,161,670 | 5,130,317 |
| Cost of sales | | | | | |
| Cost of sales of goods | 6 | (1,393,991) | (3,001,272) | (3,670,744) | (4,326,476) |
| Impairment losses on inventories | 6 | (75,127) | (579,261) | (282,437) | (55,397) |
| **Gross profit/(loss)** | | 30,178 | (290,280) | 208,489 | 748,444 |
| Other income and gains | 5 | 20,833 | 48,954 | 49,265 | 78,738 |
| Selling and marketing expenses | | (12,848) | (19,779) | (57,618) | (35,769) |
| Administrative expenses | | (134,738) | (241,116) | (259,466) | (301,459) |
| Research and development expenses | 6 | (221,047) | (329,277) | (424,099) | (556,165) |
| Impairment losses on financial assets and contract assets, net | 6 | (22,457) | (600,057) | (10,837) | (9,705) |
| Other expenses | | (1,400) | (267,524) | (11,568) | (14,952) |
| Finance costs | 7 | (70,217) | (32,892) | (73,451) | (132,585) |
| Share of profits/(losses) of joint ventures | 16 | – | 923 | (25,094) | 302,496 |
| (LOSS)/PROFIT BEFORE TAX | 6 | (411,696) | (1,731,048) | (604,379) | 79,043 |
| Income tax credit | 10 | 9,421 | 11,067 | 14,512 | 11,971 |
| **(LOSS)/PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | (402,275) | (1,719,981) | (589,867) | 91,014 |
| (Loss)/profit attributable to: | | | | | |
| Owners of the parent | | (402,275) | (1,719,981) | (589,867) | 91,014 |
| (LOSS)/PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | | | |
| Basic and diluted (RMB) | 12 | (0.26) | (1.01) | (0.31) | 0.04 |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Notes | As at 31 December 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 13 | 1,413,220 | 4,707,407 | 5,618,993 | 5,704,152 |
| Right-of-use assets | 14 | 441,850 | 303,119 | 257,403 | 226,422 |
| Goodwill | | – | 1,277 | 1,277 | 1,277 |
| Other intangible assets | 15 | 592,251 | 549,059 | 491,492 | 423,079 |
| Investments in joint ventures | 16 | – | 64,537 | 3,350,901 | 3,467,173 |
| Prepayments, other receivables and other assets | 22 | 398,664 | 154,282 | 55,364 | 39,812 |
| Total non-current assets | | 2,845,985 | 5,779,681 | 9,775,430 | 9,861,915 |
| **CURRENT ASSETS** | | | | | |
| Inventories | 19 | 709,539 | 1,012,920 | 613,756 | 678,712 |
| Trade and bills receivables | 20 | 309,874 | 326,487 | 1,147,380 | 1,623,305 |
| Bills receivables at fair value through other comprehensive income | 21 | – | – | – | 92,936 |
| Contract assets | 20 | 11,675 | 1,951 | 6,496 | 5,144 |
| Prepayments, other receivables and other assets | 22 | 150,169 | 195,699 | 81,136 | 73,361 |
| Financial assets at fair value through profit or loss | 23 | – | 1,162,565 | – | – |
| Restricted bank balances | 24 | 1,020,347 | 1,035,350 | 472,305 | 957,804 |
| Time deposits | 24 | – | – | – | 101,982 |
| Cash and cash equivalents | 24 | 767,411 | 936,164 | 2,034,279 | 2,199,072 |
| Total current assets | | 2,969,015 | 4,671,136 | 4,355,352 | 5,732,316 |
| **CURRENT LIABILITIES** | | | | | |
| Trade and bills payables | 25 | 1,813,289 | 3,012,332 | 3,415,854 | 3,742,586 |
| Other payables and accruals | 26 | 342,349 | 1,480,456 | 1,945,523 | 1,427,848 |
| Contract liabilities | 27 | 40,855 | 145,385 | 44,662 | 14,756 |
| Interest-bearing bank and other borrowings | 28 | 1,159,664 | 579,134 | 694,137 | 1,245,825 |
| Lease liabilities | 14 | 36,674 | 34,046 | 27,021 | 30,397 |
| Tax payable | | – | 23,511 | – | 266 |
| Provision | 29 | 5,086 | 12,958 | 22,809 | 35,003 |
| Total current liabilities | | 3,397,917 | 5,287,822 | 6,150,006 | 6,496,681 |
| **NET CURRENT LIABILITIES** | | (428,902) | (616,686) | (1,794,654) | (764,365) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 2,417,083 | 5,162,995 | 7,980,776 | 9,097,550 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Interest-bearing bank and other borrowings | 28 | – | 2,310,258 | 2,841,494 | 2,768,659 |
| Lease liabilities | 14 | 311,882 | 207,537 | 175,769 | 146,034 |
| Provision | 29 | 33,934 | 87,823 | 145,979 | 227,741 |
| Deferred tax liabilities | 18 | 90,712 | 84,813 | 70,301 | 57,994 |
| Total non-current liabilities | | 436,528 | 2,690,431 | 3,233,543 | 3,200,428 |
| Net assets | | 1,980,555 | 2,472,564 | 4,747,233 | 5,897,122 |
| **EQUITY** | | | | | |
| Equity attributable to owners of the parent | | | | | |
| Share capital/Paid-in capital | 30 | 1,552,495 | 1,881,850 | 2,255,935 | 2,386,976 |
| Reserves | 32 | 428,060 | 590,714 | 2,491,298 | 3,510,146 |
| Total equity | | 1,980,555 | 2,472,564 | 4,747,233 | 5,897,122 |

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### Year ended 31 December 2021

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital/ Paid-in capital | Share premium* | Other reserve* | Share-based payment reserve* | Merger reserve* | Accumulated losses* | Total equity |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *Note 30* | *Note 32* | *Note 32* | *Note 32* | *Note 32* | | |
| As at 1 January 2021 | 1,552,495 | 789,155 | – | 62,582 | 671,166 | (2,006,996) | 1,068,402 |
| Loss and total comprehensive loss for the year | – | – | – | – | – | (402,275) | (402,275) |
| Share-based payments | – | – | – | 22,611 | – | – | 22,611 |
| Deemed contribution from shareholders | – | – | 2,002 | – | 1,289,815 | – | 1,291,817 |
| As at 31 December 2021 | 1,552,495 | 789,155 | 2,002 | 85,193 | 1,960,981 | (2,409,271) | 1,980,555 |

### Year ended 31 December 2022

| | Attributable to owners of the parent | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital/ Paid-in capital | Share premium* | Other reserve* | Share-based payment reserve* | Merger reserve* | Accumulated losses* | Total equity |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *Note 30* | *Note 32* | *Note 32* | *Note 32* | *Note 32* | | |
| As at 1 January 2022 | 1,552,495 | 789,155 | 2,002 | 85,193 | 1,960,981 | (2,409,271) | 1,980,555 |
| Loss and total comprehensive loss for the year | – | – | – | – | – | (1,719,981) | (1,719,981) |
| Share-based payments | – | – | – | 35,038 | – | – | 35,038 |
| Contribution from shareholders | 329,355 | 2,085,501 | – | – | – | – | 2,414,856 |
| Deemed contribution from shareholders | – | – | 9,390 | – | – | – | 9,390 |
| Business combination under common control | – | – | – | – | (247,294) | – | (247,294) |
| As at 31 December 2022 | 1,881,850 | 2,874,656 | 11,392 | 120,231 | 1,713,687 | (4,129,252) | 2,472,564 |

**Year ended 31 December 2023**

| | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital/ Paid-in capital** | **Share premium*** | **Other reserve*** | **Share-based payment reserve*** | **Merger reserve*** | **Special reserve*** | **Accumulated losses*** | **Total equity** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *Note 30* | *Note 32* | *Note 32* | *Note 32* | *Note 32* | *Note 32* | | |
| As at 1 January 2023 | 1,881,850 | 2,874,656 | 11,392 | 120,231 | 1,713,687 | – | (4,129,252) | 2,472,564 |
| Loss and total comprehensive loss for the year | – | – | – | – | – | – | (589,867) | (589,867) |
| Share-based payments | – | – | – | 43,934 | – | – | – | 43,934 |
| Contribution from shareholders | 5,144 | – | – | – | – | – | – | 5,144 |
| Issuance of shares for acquisition of a joint venture | 368,941 | 2,446,517 | – | – | – | – | – | 2,815,458 |
| Safety fund appropriation to special reserve | – | – | – | – | – | 2,323 | (2,323) | – |
| As at 31 December 2023 | 2,255,935 | 5,321,173 | 11,392 | 164,165 | 1,713,687 | 2,323 | (4,721,442) | 4,747,233 |

**Year ended 31 December 2024**

| | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital/ Paid-in capital | Share premium* | Other reserve* | Share-based payment reserve* | Merger reserve* | Special reserve* | Accumulated losses* | Total equity |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *Note 30* | *Note 32* | *Note 32* | *Note 32* | *Note 32* | *Note 32* | | |
| As at 1 January 2024 | 2,255,935 | 5,321,173 | 11,392 | 164,165 | 1,713,687 | 2,323 | (4,721,442) | 4,747,233 |
| Profit and total comprehensive income for the year | – | – | – | – | – | – | 91,014 | 91,014 |
| Share-based payments | – | – | – | 58,875 | – | – | – | 58,875 |
| Contribution from shareholders | 131,041 | 868,959 | – | – | – | – | – | 1,000,000 |
| Safety fund appropriation to special reserve | – | – | – | – | – | 812 | (812) | – |
| As at 31 December 2024 | 2,386,976 | 6,190,132 | 11,392 | 223,040 | 1,713,687 | 3,135 | (4,631,240) | 5,897,122 |

* These reserve accounts represent the total consolidated reserves of RMB428,060,000, RMB590,714,000, RMB2,491,298,000 and RMB3,510,146,000 in the consolidated statements of financial position as at 31 December 2021, 2022, 2023 and 2024, respectively.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Notes | Year ended 31 December 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| (Loss)/Profit before tax | | (411,696) | (1,731,048) | (604,379) | 79,043 |
| Adjustments for: | | | | | |
| Depreciation of property, plant and equipment | *13* | 91,170 | 173,882 | 293,908 | 497,298 |
| Depreciation of right-of-use assets | *14* | 21,864 | 43,704 | 40,449 | 32,902 |
| Amortisation of other intangible assets | *15* | 72,640 | 76,415 | 79,496 | 78,742 |
| Share-based payment expenses | *31* | 22,611 | 35,038 | 43,934 | 58,875 |
| Share of (profits)/losses of joint ventures | *16* | – | (923) | 25,094 | (302,496) |
| Impairment losses on financial assets and contract assets, net | | 22,457 | 600,057 | 10,837 | 9,705 |
| Impairment losses on property, plant and equipment | *13* | – | 244,640 | 6,982 | – |
| Impairment losses on inventories | *19* | 75,127 | 579,261 | 282,437 | 55,397 |
| Finance costs | *7* | 70,217 | 32,892 | 73,451 | 132,585 |
| Interest income | *5* | (8,155) | (17,896) | (33,230) | (37,426) |
| Investment income on structured deposits and wealth management products | *5* | (1,775) | (9,501) | (6,596) | (205) |
| Fair value gains on structured deposits and wealth management products | *5* | – | (6,395) | – | – |
| (Gains)/losses on disposal of items of property, plant and equipment and other intangible assets | *6* | (101) | (8,233) | (1,323) | 8,797 |
| Losses/(gains) on remeasurement of lease payments | *6* | – | 5,490 | (35) | – |
| | | (45,641) | 17,383 | 211,025 | 613,217 |
| (Increase)/decrease in inventories | | (446,515) | (941,517) | 116,727 | (120,353) |
| (Increase)/decrease in restricted bank balances | | (663,180) | (584,883) | 524,345 | (485,499) |
| Increase in time deposits with original maturity of more than three months to one year when acquired | | – | – | – | (101,982) |
| Increase in trade and bills receivables and contract assets | | (141,596) | (1,372,573) | (836,224) | (483,786) |
| Increase in bills receivables at fair value through other comprehensive income | | – | – | – | (92,936) |
| Decrease/(increase) in prepayments, other receivables and other assets | | 74,707 | (327,532) | 114,507 | 20,634 |
| Increase/(decrease) in other payables and accruals | | 57,653 | 1,869,175 | (226,551) | (30,518) |
| Increase in trade and bills payables | | 1,034,289 | 2,491,418 | 403,522 | 218,675 |

| | Notes | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| | | Year ended 31 December | | | |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| (Increase)/decrease in contract liabilities | | (64,911) | 128,477 | (100,723) | (29,906) |
| Increase in provision | | 21,619 | 60,682 | 68,007 | 93,956 |
| Cash (used in)/generated from operations | | (173,575) | 1,340,630 | 274,635 | (398,498) |
| Interest received | | 8,155 | 17,896 | 33,230 | 37,426 |
| Income tax paid | | – | (4,884) | (23,511) | (70) |
| Net cash flows (used in)/from operating activities | | (165,420) | 1,353,642 | 284,354 | (361,142) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Dividends received from joint ventures | | – | – | – | 186,224 |
| Proceeds from disposal of items of property, plant and equipment | | 326 | 12,507 | 7,417 | 3,528 |
| Purchases of items of property, plant and equipment and right-of-use assets | | (896,123) | (2,687,978) | (791,751) | (614,798) |
| Purchases of other intangible assets | | (586) | (19,565) | (21,993) | (10,329) |
| Receipt of government grants for property, plant and equipment and right-of-use assets | | – | 68,344 | 89,899 | 6,010 |
| (Subscription)/redemption of financial assets at fair value through profit or loss | | 612,108 | (1,146,669) | 1,169,161 | 205 |
| Acquisition of a subsidiary | *33* | – | (239,539) | – | – |
| Investment in a joint venture | | – | – | (150,000) | (346,000) |
| Net cash flows (used in)/from investing activities | | (284,275) | (4,012,900) | 302,733 | (775,160) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Payment of listing expenses | | – | – | – | (6,367) |
| Business combination under common control | | – | (1,970,073) | – | – |
| (Increase)/decrease in pledged deposits | | – | (38,700) | 38,700 | – |
| Capital contribution from shareholders | | 1,289,815 | 2,414,856 | 5,144 | 1,000,000 |
| Lease payments | | (40,854) | (56,017) | (44,580) | (37,877) |
| New interest-bearing bank and other borrowings | | 69,000 | 2,886,426 | 1,221,339 | 1,369,057 |
| Repayment of interest-bearing bank and other borrowings | | (368,000) | (303,022) | (576,168) | (901,000) |
| Interest paid | | (11,645) | (109,836) | (133,407) | (125,697) |
| Net cash flows from financing activities | | 938,316 | 2,823,634 | 511,028 | 1,298,116 |

| | Notes | Year ended 31 December 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 488,621 | 164,376 | 1,098,115 | 161,814 |
| Cash and cash equivalents at beginning of year | | 293,508 | 767,411 | 936,164 | 2,034,279 |
| Effect of foreign exchange rate changes, net | | (14,718) | 4,377 | – | 2,979 |
| Cash and cash equivalents at end of year | | 767,411 | 936,164 | 2,034,279 | 2,199,072 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | | | |
| Cash and bank balances | *24* | 1,787,758 | 1,971,514 | 2,506,584 | 3,258,858 |
| Less: Time deposits with original maturity between three months to one year when acquired | *24* | – | – | – | 101,982 |
| Restricted bank balances | *24* | 1,020,347 | 1,035,350 | 472,305 | 957,804 |
| Cash and cash equivalents as stated in the consolidated statements of cash flows and statements of financial position | | 767,411 | 936,164 | 2,034,279 | 2,199,072 |

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

| | Notes | As at 31 December 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 13 | 863,108 | 4,351,252 | 5,416,795 | 5,548,823 |
| Right-of-use assets | 14 | 294,731 | 247,027 | 224,241 | 202,827 |
| Other intangible assets | 15 | 400 | 537,388 | 480,859 | 414,713 |
| Investments in subsidiaries | 17 | – | 920,853 | 865,380 | 1,844,005 |
| Investment in a joint venture | 16 | – | – | 3,326,310 | 3,433,744 |
| Prepayments, other receivables and other assets | 22 | 344,846 | 149,166 | 50,836 | 35,907 |
| Total non-current assets | | 1,503,085 | 6,205,686 | 10,364,421 | 11,480,019 |
| **CURRENT ASSETS** | | | | | |
| Inventories | 19 | 356,999 | 670,468 | 564,314 | 641,883 |
| Trade and bills receivables | 20 | 433,343 | 217,752 | 1,142,014 | 1,653,125 |
| Bills receivables at fair value through other comprehensive income | 21 | – | – | – | 92,936 |
| Contract assets | 20 | – | 1,951 | 6,496 | 5,144 |
| Prepayments, other receivables and other assets | 22 | 157,434 | 151,230 | 42,420 | 52,397 |
| Financial assets at fair value through profit or loss | 23 | – | 970,012 | – | – |
| Restricted bank balances | 24 | 450,767 | 763,419 | 457,906 | 927,984 |
| Time deposits | 24 | – | – | – | 101,982 |
| Cash and cash equivalents | 24 | 694,862 | 861,892 | 1,826,928 | 994,624 |
| Total current assets | | 2,093,405 | 3,636,724 | 4,040,078 | 4,470,075 |
| **CURRENT LIABILITIES** | | | | | |
| Trade and bills payables | 25 | 914,041 | 2,475,820 | 3,359,144 | 3,803,549 |
| Other payables and accruals | 26 | 242,141 | 1,401,239 | 2,197,729 | 1,647,337 |
| Contract liabilities | 27 | 6,168 | 223,420 | 44,644 | 13,461 |
| Interest-bearing bank and other borrowings | 28 | – | 579,134 | 694,137 | 1,233,260 |
| Lease liabilities | 14 | 14,821 | 16,302 | 17,874 | 20,648 |
| Provision | 29 | 72 | 12,958 | 22,809 | 35,003 |
| Total current liabilities | | 1,177,243 | 4,708,873 | 6,336,337 | 6,753,258 |
| **NET CURRENT ASSETS/(LIABILITIES)** | | 916,162 | (1,072,149) | (2,296,259) | (2,283,183) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 2,419,247 | 5,133,537 | 8,068,162 | 9,196,836 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Interest-bearing bank borrowings and other borrowings | 28 | – | 2,310,258 | 2,841,494 | 2,768,659 |
| Lease liabilities | 14 | 183,697 | 167,395 | 149,521 | 129,973 |
| Provision | 29 | 507 | 87,216 | 145,372 | 227,134 |
| Deferred tax liabilities | | 2,461 | 1,433 | 627 | 98 |
| Total non-current liabilities | | 186,665 | 2,566,302 | 3,137,014 | 3,125,864 |
| Net assets | | 2,232,582 | 2,567,235 | 4,931,148 | 6,070,972 |
| **EQUITY** | | | | | |
| Share capital/Paid-in capital | 30 | 1,552,495 | 1,881,850 | 2,255,935 | 2,386,976 |
| Reserves | | 680,087 | 685,385 | 2,675,213 | 3,683,996 |
| **Total equity** | | 2,232,582 | 2,567,235 | 4,931,148 | 6,070,972 |

## II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the People's Republic of China ("PRC") with limited liability on 26 February 2019 and was converted into a joint stock company on 17 July 2024. The registered office of the Company is located at No. 68 Xin'anjiang Road, Dongnan Community, Changshu, Jiangsu Province, PRC.

During the Relevant Periods, the Company and its subsidiaries were principally engaged in developing a multi-pathway portfolio of market-driven and technology-fueled battery products.

As at 31 December 2024, the Company had direct interests in its subsidiaries, all of which are private limited liability companies, the particulars of the subsidiaries are set out below:

| Name | *Note* | Place and date of incorporation/ registration and operations | Nominal value of issued ordinary/ registered paid-in capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| | | | *('000)* | *%* | *%* | |
| Suzhou ZENIO New Energy Technologies Co., Ltd. ("Suzhou ZENIO") 蘇州正力新能源科技有限公司 . . . . . . . . . . . | *(a)* | PRC/Mainland China/ 5 December 2016 | RMB150,000 | 100 | – | Research and development, production and sales of power batteries and energy storage products |
| Nanjing Zenergy Battery Technologies Co., Ltd. 南京正力新能電池技術有限公司 . . . . . . . . . | *(a)* | PRC/Mainland China/ 27 December 2021 | RMB2,300,000 | 100 | – | Production and sales of power batteries and energy storage products |
| Dongguan Zenergy Battery Technologies Co., Ltd. 東莞正力新能電池技術有限公司 . . . . . . . . . | *(a)* | PRC/Mainland China/ 27 December 2021 | RMB100,000 | 100 | – | Production and sales of power batteries and energy storage products |
| Suzhou Zenergy Battery Technologies Co., Ltd. 蘇州正力新能電池科技有限公司 . . . . . . . . . | | PRC/Mainland China/ 22 May 2024 | RMB1,000,000 | 100 | – | R&D, production and sales of power batteries and energy storage products |

The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

(a) The statutory financial statements of these entities for the years ended 31 December 2021 and 2022 prepared in accordance with PRC Generally Accepted Accounting Principles have been audited by Nanjing Zhonghan Tonghua Certified Public Accountants Co., Ltd. (南京中瀚通華會計師事務所有限公司), a certified public accounting firm registered in the PRC, and the statutory financial statements of these entities for the year ended 31 December 2023 prepared in accordance with PRC Generally Accepted Accounting Principles have been audited by Jiangsu Ruiyuan Certified Public Accountants Co., Ltd. (江蘇瑞遠會計師事務所有限公司), a certified public accounting firm registered in the PRC.

### 2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Business Reorganisation of Our Group" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, the companies now comprising the Group were under the common control of the controlling shareholders before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods. Therefore, Jiangsu TAFEL New Energy Technology Co., Ltd. (江蘇塔菲爾新能源科技股份有限公司), a joint stock company with limited liability incorporated in the PRC on July 14, 2017 is combined into the Group's financial statements since the beginning of the Relevant Periods by applying the principles of merger accounting.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2021, 2022, 2023 and 2024 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on consolidation.

### 2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board (the "IASB"), which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared on a going concern basis. As at 31 December 2024, the Group had net current liabilities of RMB764,365,000. In view of such circumstances, the management of the Company has given consideration to the future liquidity and financial resources available to the Group, which mainly include the net cash flows generated from the Group's operating activities and financial credit facilities, in assessing whether the Group will have sufficient financial resources to continue as a going concern and will not have any going concern issue as a result of the shortage of working capital. Accordingly, the management of the Company is of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Historical Financial Information has been prepared under the historical cost convention, except for bills receivables at fair value through other comprehensive income and financial assets at fair value through profit or loss which have been measured at fair value.

### 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and revised IFRSs, if applicable, when they become effective.

| | |
|---|---|
| IFRS 18 | *Presentation and Disclosure in Financial Statements*[3] |
| IFRS 19 | *Subsidiaries without Public Accountability: Disclosures*[3] |
| Amendments to IFRS 9 and IFRS 7 | *Amendments to the Classification and Measurement of Financial Instrument*[2] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4] |
| Amendments to IAS 21 | *Lack of Exchangeability*[1] |
| Annual Improvements to IFRS Accounting Standards – Volume 11 | *Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7*[2] |

1 Effective for annual periods beginning on or after 1 January 2025

2 Effective for annual periods beginning on or after 1 January 2026

3 Effective for annual/reporting periods beginning on or after 1 January 2027

4 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and amended standards upon initial application. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. The new requirements are expected to impact the Group's presentation of the statement of profit or loss and disclosures of the Group's financial performance. So far, the Group considers that the new and amended standards are unlikely to have a significant impact on the Group's results of operations and financial position.

## 2.4 MATERIAL ACCOUNTING POLICIES

**Investments in joint ventures**

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint ventures. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

**Fair value measurement**

The Group measures certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for non-financial asset is required (other than inventories and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

**Related parties**

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

  (i) the entity and the Group are members of the same group;

  (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

  (iii) the entity and the Group are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan; the entity is controlled or jointly controlled by a person identified in (a);

(vi) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(vii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

**Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Buildings | 4.8% |
| Leasehold improvements | The shorter of remaining lease terms and estimated useful lives |
| Vehicles | 15.8% to 23.8% |
| Machinery | 9.5% to 19.0% |
| Office equipment and electronic devices | 19.0% to 31.7% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

**Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each of the financial year end.

***Software***

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 3 to 5 years, which is mainly determined by reference to the authorised period of the purchased software.

***Trademarks and patents***

Purchased trademarks and patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years, which is mainly determined by reference to the period during which such assets are expected to bring economic benefits to the Group.

Trademarks and patents are expected to have a useful life of 10 years. Useful lives frequently cannot be established objectively for trademarks and patents, thus the management of the Group set the useful lives based on the circumstances. To set the useful lives of trademarks and patents, the management consider, among other things, trends, forecasts and budgets, and the development of technologies. The management consider factors including validity period of patent protection, legal or regulator's limit on the maximum useful life, obsolescence, demand, competition or other economic factors, actions of competitors and others, which may restrict present competitive advantages. Considering the above factors, the management set the useful lives of trademarks and patterns at 10 years.

***Research and development costs***

All research costs are charged to profit or loss as incurred.

**Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***Group as a lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*(a) Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

| | |
|---|---|
| Leasehold land | 50 years |
| Plant and properties | 1.2 to 10.2 years |

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

*(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

*(c) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

**Investments and other financial assets**

***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

***Financial assets at amortised cost (debt instruments)***

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

***Financial assets at fair value through other comprehensive income (debt instruments)***

For bills receivables at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

***Derecognition of financial assets***

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Impairment of financial assets**

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

***General approach***

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Periods, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

| | | |
|---|---|---|
| Stage 1 | — | Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs |
| Stage 2 | — | Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs |
| Stage 3 | — | Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs |

***Simplified approach***

For trade and bills receivables and contract assets and bills receivables at fair value through other comprehensive income that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Financial liabilities**

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals and interest-bearing bank and other borrowings.

***Subsequent measurement***

The subsequent measurement of financial liabilities depends on their classification as follows:

***Financial liabilities at amortised cost (trade and other payables, and borrowings)***

After initial recognition, trade and bills payables, other payables, and interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

**Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

**Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of battery products for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

**Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed or deducted from the related expense.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

**Revenue recognition**

***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

***Sales of power batteries and energy storage system products***

The Group manufactures and sells battery-related products in the market. Revenue from sales of products is recognised at the point in time when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the acceptance provisions have lapsed.

***Other income***

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

**Contract assets**

If the Group performs by transferring goods to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

**Contract liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods to the customer).

**Share-based payments**

The Company operates a share option scheme and a restricted stock scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value of the share option is determined by an external valuer using Black-Scholes Option Pricing Model, and the fair value of the restricted stock is determined by an external valuer based on investors' recent capital contribution price. Further details of which are given in note 31 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

**Other employee benefits**

***Pension schemes***

The employees of the Group are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

***Housing fund and other social insurances***

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group's liability in respect of these funds is limited to the contributions payable in each of the Relevant Periods.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

**Foreign currencies**

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

***Determining the lease term***

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation.

Generally, periods covered by an extension option in other properties leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption. See note 14 for further information.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control.

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

***Provision for expected credit losses on trade receivables and contract assets***

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on ageing of trade receivables and contract assets for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 20 to the Historical Financial Information.

***Estimation of provision for warranty claims***

Generally, the Group provides an 8-year or 150,000-kilometer warranty for EV battery products and a warranty for ESS battery products ranging from 6,000 to 8,000 cycles. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trend that might suggest that past cost information may differ from future claims. The assumptions made in respect of the Relevant Periods are consistent with those in the prior years. Factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives, as well as parts and labor costs.

***Impairment of non-current assets (other than goodwill)***

The Group assesses whether there are any indicators of impairment for all non-financial assets as at the end of each reporting period. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are included in note 13, note 15 and note 17 to the Historical Financial Information.

***Provision of inventories***

The Group's inventories are stated at the lower of cost and net realisable value. The Group's provision for its inventories based on estimates of the realisable value with reference to the ageing and conditions of the inventories, together with the economic circumstances on the marketability of such inventories. Inventories will be reviewed annually for provision, if appropriate. Further details of the inventories are set out in note 19 to the Historical Financial Information.

***Leases — Estimating the incremental borrowing rate***

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

***Deferred tax assets***

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. Further details on deferred tax are disclosed in note 18 to the Historical Financial Information.

## 4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in developing a multi-pathway portfolio of market-driven and technology-fueled battery products. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

**Geographical information**

Almost all the non-current assets of the Group are physically located in the Mainland China. The geographical location of customers is based on the location at which the customers operate, and almost all of the revenue of the Group was derived from operations in the Mainland China during the Relevant Periods.

**Information about major customers**

The revenue generated from sales to customers which individually amounted to more than 10% of the Group's total revenue during each of the Relevant Periods is set out below:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Subsidiaries and a branch of Guangzhou Automobile Group Co., Ltd. | * | * | 959,022 | 1,076,672 |
| Zhejiang Leapmotor Technology Co., Ltd. and its subsidiaries | * | 488,072 | 1,179,146 | 1,462,322 |
| SAIC GM Wuling Automobile Company Limited | * | * | 647,589 | 1,160,950 |
| SAIC GM Automobile Company Limited | * | * | * | 566,554 |
| FAW Group Co., Ltd. and its subsidiaries | 203,816 | 943,440 | * | * |
| Customer A | 828,335 | 962,452 | * | * |
| Dongfeng Liuzhou Motor Co., Ltd. | 168,530 | * | * | * |

* Less than 10% of the Group's revenue.

***Seasonality of operations***

The Group is an EV and ESS battery manufacturer. Higher revenues and operating profits are usually expected in the second half of the year. Higher sales during the second half of the year are mainly attributed to the fact that EV sales in China in the second half of the year tends to be higher compared to the first half due to a variety of reasons, including seasonal demand fluctuations, policy influences, holidays, and climate conditions. Such changes in EV sales may impact customers' manufacturing and battery procurement plan, resulting in the concentration of customers' stocking demand in the second half of the year. The Group also experiences seasonality in the sales of ESS products, with the first and last quarter of each year recording less sales compared to the second and third quarters.

**5. REVENUE, OTHER INCOME AND GAINS**

An analysis of revenue is as follows:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue from contracts with customers | 1,499,296 | 3,290,253 | 4,161,670 | 5,130,317 |

**Revenue from contracts with customers**

***(a) Disaggregated revenue information***

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Types of goods** | | | | |
| Power Battery | 1,448,045 | 3,116,066 | 3,356,865 | 4,663,775 |
| Nickel-cobalt-manganese ternary materials | 1,448,045 | 2,628,589 | 1,447,995 | 1,357,268 |
| Lithium iron phosphate | – | 487,477 | 1,908,870 | 3,306,507 |
| Energy Storage System | – | 2,768 | 315,306 | 213,409 |
| Others* | 51,251 | 171,419 | 489,499 | 253,133 |
| Total revenue from contracts with customers | 1,499,296 | 3,290,253 | 4,161,670 | 5,130,317 |

* Primarily include sales of down-grade products and waste materials sales.

*Geographical markets*

Since almost of the revenue of the Group was derived from operations in Mainland China during the Relevant Periods, revenue from the overseas markets of the Group is assessed as not material.

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Timing of revenue recognition** | | | | |
| Transferred at a point in time | 1,499,296 | 3,290,253 | 4,161,670 | 5,130,317 |

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | 105,766 | 40,855 | 145,385 | 44,662 |

***(b) Performance obligations***

Information about the Group's performance obligations is summarised below:

*Sales of products*

The performance obligation is satisfied upon acceptance and payment generally varies from 30 days to 90 days.

All amounts of transaction prices allocated to the performance obligations of sales of goods are expected to be recognised as revenue within one year. The Group has no significant unsatisfied performance obligations arising from revenue contracts that have an original expected duration more than one year, thus management applied practical expedient under IFRS 15 and is not disclosing the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially satisfied at the end of each reporting period.

An analysis of other income and gains is as follows:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Other income** | | | | |
| Government grants | 6,088 | 5,067 | 889 | 38,387 |
| Interest income | 8,155 | 17,896 | 33,230 | 37,426 |
| Others | 4,712 | 1,804 | 7,192 | 1,754 |
| Total other income | 18,955 | 24,767 | 41,311 | 77,567 |
| **Gains** | | | | |
| Investment income on structured deposits and wealth management products | 1,775 | 9,501 | 6,596 | 205 |
| Fair value gains on financial assets at fair value through profit or loss | – | 6,395 | – | – |
| Foreign exchange gains, net | 2 | 58 | – | 966 |
| Gains on remeasurement of lease payments | – | – | 35 | – |
| Gains on disposal of items of property, plant and equipment and other intangible assets | 101 | 8,233 | 1,323 | – |
| Total gains | 1,878 | 24,187 | 7,954 | 1,171 |
| Total other income and gains | 20,833 | 48,954 | 49,265 | 78,738 |

## 6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

| | | Year ended 31 December | | | |
|---|---|---|---|---|---|
| | *Notes* | 2021 | 2022 | 2023 | 2024 |
| | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cost of sales of goods | | 1,393,991 | 3,001,272 | 3,670,744 | 4,326,476 |
| Depreciation of property, plant and equipment | *13* | 91,170 | 173,882 | 293,908 | 497,298 |
| Depreciation of right-of-use assets | *14* | 21,864 | 43,704 | 40,449 | 32,902 |
| Amortisation of other intangible assets | *15* | 72,640 | 76,415 | 79,496 | 78,742 |
| Research and development expenses | | 221,047 | 329,277 | 424,099 | 556,165 |
| Listing expenses | | – | – | – | 29,285 |
| Lease payments not included in the measurement of lease liabilities | *14* | 7,448 | 25,534 | 12,611 | 13,299 |
| Employee benefit expense (including directors' and supervisors' remuneration *(note 8)*): | | | | | |
| Wages and salaries | | 180,007 | 280,023 | 440,335 | 501,861 |

| | Notes | Year ended 31 December 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Pension scheme contributions and social welfare | | 56,378 | 89,019 | 139,851 | 158,286 |
| Share-based payment expenses | | 22,611 | 35,038 | 43,934 | 58,875 |
| Impairment losses on property, plant and equipment* | 13 | – | 244,640 | 6,982 | – |
| Impairment losses on financial assets and contract assets, net | | 22,457 | 600,057 | 10,837 | 9,705 |
| Impairment losses on inventories | 19 | 75,127 | 579,261 | 282,437 | 55,397 |
| Losses/(gains) on remeasurement of lease payment | 14 | – | 5,490 | (35) | – |
| Foreign exchange (gains)/losses, net | | (2) | (58) | 1,672 | (966) |
| Provision | 29 | 25,082 | 67,327 | 74,201 | 109,170 |
| (Gains)/losses on disposal of items of property, plant and equipment and other intangible assets | | (101) | (8,233) | (1,323) | 8,797 |
| Investment income on structured deposits and wealth management products | 5 | (1,775) | (9,501) | (6,596) | (205) |
| Fair value gains on financial assets at fair value through profit or loss | 5 | – | (6,395) | – | – |
| Interest income | 5 | (8,155) | (17,896) | (33,230) | (37,426) |

* The impairment losses on property, plant and equipment are included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

| | Year ended 31 December 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Interest on interest-bearing bank and other borrowings | 65,578 | 64,859 | 134,475 | 136,493 |
| Interest on lease liabilities | 6,170 | 13,292 | 11,089 | 9,597 |
| Subtotal | 71,748 | 78,151 | 145,564 | 146,090 |
| Less: Interest capitalised | 1,531 | 45,259 | 72,113 | 13,505 |
| Total | 70,217 | 32,892 | 73,451 | 132,585 |

## 8. DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration paid or payable to directors and supervisors of the Company during the Relevant Periods is as follows:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Fees | – | – | – | 243 |
| Other emoluments: | | | | |
| Salaries, allowances and benefits in kind | 6,447 | 5,897 | 6,064 | 8,331 |
| Performance related bonuses | – | – | – | – |
| Share-based payment expenses | 296 | 1,349 | 1,842 | 4,189 |
| Pension scheme contributions | 302 | 372 | 394 | 826 |
| Subtotal | 7,045 | 7,618 | 8,300 | 13,346 |
| Total fees and other emoluments | 7,045 | 7,618 | 8,300 | 13,589 |

The remuneration disclosed above included the remuneration received by certain directors and supervisors prior to their appointments as the directors and supervisors of the Company.

During the Relevant Periods, certain directors and supervisors were granted share options or restricted shares, in respect of their services to the Group, under the employee incentive scheme of the Company, further details of which are set out in note 31 to the Historical Financial Information. The share-based payments expenses included in the financial statements for the Relevant Periods is included in the above directors' and supervisors' remuneration disclosures.

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Dr. Xiao Min | – | – | – | 81 |
| Dr. Xu Zhiming | – | – | – | 81 |
| Dr. Gong Zhengliang | – | – | – | 81 |
| Total | – | – | – | 243 |

Dr. Xiao Min, Dr. Xu Zhiming and Dr. Gong Zhengliang were appointed as independent non-executive directors in June 2024.

### (b) Directors and supervisors

Mr. Yu Hongjiang and Mr. Wu Shinong were appointed as directors in June 2023, and resigned as directors with effect from 18 June 2024.

Mr. Zhang Li was appointed as a director in June 2023.

Mr. Liu Gang was appointed as a supervisor in June 2023 and resigned as a supervisor with effect from 31 December 2024.

Ms. Zhao Yanlei was appointed as a supervisor in May 2020, and resigned as a supervisor with effect from 15 June 2023.

Mr. Jiang Kecheng and Mr. Zou Jian were appointed as supervisors in June 2023, and resigned as supervisors with effect from 18 June 2024.

Mr. Yu Zhexun was appointed as a director in June 2024.

Mr. Hong Ping and Mr. Ge Wei were appointed as supervisors in June 2024.

Mr. Jiang Dongfeng was appointed as a supervisor in December 2024.

| | Salaries, allowances and benefits in kind | Performance related bonuses | Share-based payment expenses | Pension scheme contributions | Total remuneration |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 2021 | | | | | |
| Directors: | | | | | |
| Ms. Cao Fang | – | – | – | – | – |
| Dr. Chen Jicheng | 4,155 | – | – | 87 | 4,242 |
| Mr. Wu Shinong | – | – | – | – | – |
| Mr. Zhang Li | – | – | – | – | – |
| Mr. Yu Hongjiang | 721 | – | 113 | 51 | 885 |
| Subtotal | 4,876 | – | 113 | 138 | 5,127 |
| Supervisors: | | | | | |
| Ms. Zhao Yanlei | – | – | – | – | – |
| Mr. Liu Gang | 529 | – | 45 | 84 | 658 |
| Mr. Jiang Kecheng | 899 | – | 128 | 51 | 1,078 |
| Mr. Zou Jian | 143 | – | 10 | 29 | 182 |
| Subtotal | 1,571 | – | 183 | 164 | 1,918 |
| Total | 6,447 | – | 296 | 302 | 7,045 |

| | Salaries, allowances and benefits in kind | Performance related bonuses | Share-based payment expenses | Pension scheme contributions | Total remuneration |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 2022 | | | | | |
| Directors: | | | | | |
| Ms. Cao Fang | 1,269 | – | – | – | 1,269 |
| Dr. Chen Jicheng | 1,823 | – | – | 95 | 1,918 |
| Mr. Wu Shinong | – | – | – | – | – |
| Mr. Zhang Li | – | – | – | – | – |
| Mr. Yu Hongjiang | 1,044 | – | 563 | 90 | 1,697 |
| Subtotal | 4,136 | – | 563 | 185 | 4,884 |
| Supervisors: | | | | | |
| Ms. Zhao Yanlei | – | – | – | – | – |
| Mr. Liu Gang | 553 | – | 279 | 84 | 916 |
| Mr. Jiang Kecheng | 1,044 | – | 497 | 76 | 1,617 |
| Mr. Zou Jian | 164 | – | 10 | 27 | 201 |
| Subtotal | 1,761 | – | 786 | 187 | 2,734 |
| Total | 5,897 | – | 1,349 | 372 | 7,618 |

| | Salaries, allowances and benefits in kind | Performance related bonuses | Share-based payment expenses | Pension scheme contributions | Total remuneration |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 2023 | | | | | |
| Directors: | | | | | |
| Ms. Cao Fang | 1,500 | – | – | – | 1,500 |
| Dr. Chen Jicheng | 1,500 | – | – | 117 | 1,617 |
| Mr. Wu Shinong | – | – | – | – | – |
| Mr. Zhang Li | – | – | – | – | – |
| Mr. Yu Hongjiang | 1,044 | – | 884 | 88 | 2,016 |
| Subtotal | 4,044 | – | 884 | 205 | 5,133 |
| Supervisors: | | | | | |
| Ms. Zhao Yanlei | – | – | – | – | – |
| Mr. Liu Gang | 601 | – | 325 | 83 | 1,009 |
| Mr. Jiang Kecheng | 1,045 | – | 608 | 78 | 1,731 |
| Mr. Zou Jian | 374 | – | 25 | 28 | 427 |
| Subtotal | 2,020 | – | 958 | 189 | 3,167 |
| Total | 6,064 | – | 1,842 | 394 | 8,300 |

| | Salaries, allowances and benefits in kind | Performance related bonuses | Share-based payment expenses | Pension scheme contributions | Total remuneration |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 2024 | | | | | |
| Directors: | | | | | |
| Ms. Cao Fang | 1,500 | – | – | – | 1,500 |
| Dr. Chen Jicheng | 1,500 | – | – | 210 | 1,710 |
| Mr. Wu Shinong | – | – | – | – | – |
| Mr. Zhang Li | – | – | – | – | – |
| Mr. Yu Zhexun | 1,001 | – | 1,167 | 94 | 2,262 |
| Mr. Yu Hongjiang | 1,185 | – | 1,255 | 89 | 2,529 |
| Subtotal | 5,186 | – | 2,422 | 393 | 8,001 |
| Supervisors: | | | | | |
| Mr. Ge Wei | 457 | – | 554 | 90 | 1,101 |
| Mr. Hong Ping | – | – | – | – | – |
| Mr. Jiang Dongfeng | 631 | – | 492 | 130 | 1,253 |
| Mr. Liu Gang | 584 | – | – | 90 | 674 |
| Mr. Jiang Kecheng | 1,081 | – | 668 | 84 | 1,833 |
| Mr. Zou Jian | 392 | – | 53 | 39 | 484 |
| Subtotal | 3,145 | – | 1,767 | 433 | 5,345 |
| Total | 8,331 | – | 4,189 | 826 | 13,346 |

There was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the Relevant Periods.

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 December 2021 included one director and one supervisor and, during the year ended 31 December 2022 included two directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining highest paid employees who are neither a director nor a supervisor of the Company during the Relevant Periods are as follows:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Salaries, allowances and benefits in kind | 2,119 | 2,409 | 4,446 | 7,401 |
| Performance related bonuses | – | – | 4,597 | 34 |
| Share-based payment expenses | 2,804 | 5,129 | 8,007 | 14,733 |
| Pension scheme contributions | 200 | 176 | 273 | 408 |
| Total | 5,123 | 7,714 | 17,323 | 22,576 |

The numbers of non-director and non-supervisor highest paid employees whose remuneration fell within the following bands are as follows:

| | Number of employees | | | |
|---|---|---|---|---|
| | Year ended 31 December | | | |
| | 2021 | 2022 | 2023 | 2024 |
| HK$1,000,001 to HK$1,500,000 | 1 | – | – | – |
| HK$1,500,001 to HK$2,000,000 | – | 1 | – | – |
| HK$2,000,001 to HK$2,500,000 | 2 | 1 | 2 | – |
| HK$3,000,001 to HK$3,500,000 | – | – | 1 | 2 |
| HK$3,500,001 to HK$4,000,000 | – | 1 | – | – |
| HK$4,500,001 to HK$5,000,000 | – | – | 1 | 1 |
| HK$5,000,001 to HK$5,500,000 | – | – | 1 | 1 |
| HK$8,000,001 to HK$8,500,000 | – | – | – | 1 |
| Total | 3 | 3 | 5 | 5 |

## 10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

### Mainland China

The subsidiaries incorporated in Mainland China are subject to tax at the statutory rate of 25% on the taxable profits determined in accordance with the PRC Corporate Income Tax Law.

The Company was qualified as High and New Technology Enterprises in 2022 and is entitled to a preferential tax rate of 15% from 2022 to 2024.

Jiangsu TAFEL New Energy Technology Co., Ltd. ("Jiangsu TAFEL"), which the business was acquired by the Group on 28 February 2022, was entitled to a preferential tax rate of 15% from 2021 to 2022. Further details of the Reorganisation are given in note 32 to the Historical Financial Information.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Current income tax | – | 28,395 | – | 336 |
| Deferred tax credit *(note 18)* | (9,421) | (39,462) | (14,512) | (12,307) |
| Total tax credit for the year | (9,421) | (11,067) | (14,512) | (11,971) |

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rate is as follows:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| (Loss)/profit before tax | (411,696) | (1,731,048) | (604,379) | 79,043 |
| Tax at the statutory tax rate | (102,924) | (432,762) | (151,095) | 19,761 |
| Effect of preferential tax rates | 38,363 | 98,196 | 41,382 | (11,035) |
| Profit and losses attributable to joint ventures | – | (231) | 7,759 | (46,258) |
| Expenses not deductible for tax | 4,091 | 5,907 | 7,817 | 12,761 |
| Super deduction on research and development expenses *(a)* | (25,793) | (42,142) | (49,894) | (70,952) |
| Deductible temporary differences not recognised | 9,493 | 307,681 | 18,522 | 15,287 |
| Recognition of previously unrecognised tax losses and temporary differences | (5,170) | (4,757) | (104,501) | (49,555) |
| Tax losses not recognised | 72,519 | 57,041 | 215,498 | 118,020 |
| Tax credit at the Group's effective tax rate | (9,421) | (11,067) | (14,512) | (11,971) |

(a) Super deductible allowance was for qualified research and development costs. According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 175% of their research and development costs so incurred as tax deductible expenses when determining their assessable profits for the year ended 31 December 2021 and the nine months ended 30 September 2022. According to the relevant laws and regulations, starting from 1 October 2022, the aforementioned deduction rate increased to 200%.

## 11. DIVIDENDS

No dividends have been paid or declared by the Company during the Relevant Periods.

## 12. LOSS/PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The basic loss/profit per share is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the Relevant Periods.

The share award scheme (Note 31) granted and remained unexercised are not included in the calculation of diluted loss/profit per share because performance conditions has not been met at the end of the reporting period. Accordingly, diluted loss/profit per share for the year ended 31 December 2021, 2022, 2023 and 2024 are the same as basic loss/profit per share.

The weighted average number of ordinary shares outstanding was determined assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio of 1:1 as upon transformation into a joint stock company on 17 July 2024.

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| (Loss)/profit attributable to owners of the parent | (402,275) | (1,719,981) | (589,867) | 91,014 |
| Weighted average number of ordinary shares outstanding | 1,552,495,000 | 1,701,983,497 | 1,912,639,133 | 2,313,018,766 |
| Basic and diluted (loss)/profit per share (expressed in RMB per share) | (0.26) | (1.01) | (0.31) | 0.04 |

## 13. PROPERTY, PLANT AND EQUIPMENT

### The Group

| | Buildings | Machinery | Office equipment and electronic devices | Vehicles | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2021** | | | | | | | |
| At 1 January 2021: | | | | | | | |
| Cost | – | 490,986 | 36,246 | 4,343 | 178,880 | 385,973 | 1,096,428 |
| Accumulated depreciation and impairment | – | (123,765) | (17,926) | (2,204) | (35,605) | (11,793) | (191,293) |
| Net carrying amount | – | 367,221 | 18,320 | 2,139 | 143,275 | 374,180 | 905,135 |
| At 1 January 2021, net of accumulated depreciation and impairment | – | 367,221 | 18,320 | 2,139 | 143,275 | 374,180 | 905,135 |
| Additions | – | 1,806 | 1,334 | 77 | 4,344 | 691,919 | 699,480 |
| Transfers | 276,855 | 427,451 | 7,809 | 5,662 | 5,233 | (723,010) | – |
| Assets-related government grant | – | (100,000) | – | – | – | – | (100,000) |
| Disposals | – | (214) | (11) | – | – | – | (225) |
| Depreciation provided during the year | (4,718) | (54,309) | (8,820) | (1,516) | (21,807) | – | (91,170) |
| At 31 December 2021, net of accumulated depreciation and impairment | 272,137 | 641,955 | 18,632 | 6,362 | 131,045 | 343,089 | 1,413,220 |
| At 31 December 2021: | | | | | | | |
| Cost | 276,855 | 820,002 | 45,364 | 10,082 | 188,457 | 354,790 | 1,695,550 |
| Accumulated depreciation and impairment | (4,718) | (178,047) | (26,732) | (3,720) | (57,412) | (11,701) | (282,330) |
| Net carrying amount | 272,137 | 641,955 | 18,632 | 6,362 | 131,045 | 343,089 | 1,413,220 |

| | Buildings | Machinery | Office equipment and electronic devices | Vehicles | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2022** | | | | | | | |
| At 1 January 2022: | | | | | | | |
| Cost | 276,855 | 820,002 | 45,364 | 10,082 | 188,457 | 354,790 | 1,695,550 |
| Accumulated depreciation and impairment | (4,718) | (178,047) | (26,732) | (3,720) | (57,412) | (11,701) | (282,330) |
| Net carrying amount | 272,137 | 641,955 | 18,632 | 6,362 | 131,045 | 343,089 | 1,413,220 |
| At 1 January 2022, net of accumulated depreciation and impairment | 272,137 | 641,955 | 18,632 | 6,362 | 131,045 | 343,089 | 1,413,220 |
| Additions | 92 | 1,282 | 185 | 520 | 5,894 | 3,676,208 | 3,684,181 |
| Transfer | 188,970 | 1,111,090 | 16,151 | 9,116 | 263,403 | (1,588,730) | – |
| Disposals | – | (4,242) | (7) | (11) | (14) | – | (4,274) |
| Depreciation provided during the year | (19,962) | (108,223) | (11,426) | (4,926) | (29,345) | – | (173,882) |
| Acquisition of a subsidiary *(note 33)* | – | 69,307 | 1,549 | 3,075 | 1,595 | 1,120 | 76,646 |
| Assets-related government grant | – | (43,844) | – | – | – | – | (43,844) |
| Impairment | – | (139,775) | (510) | (2) | (100,323) | (4,030) | (244,640) |
| At 31 December 2022, net of accumulated depreciation and impairment | 441,237 | 1,527,550 | 24,574 | 14,134 | 272,255 | 2,427,657 | 4,707,407 |
| At 31 December 2022: | | | | | | | |
| Cost | 465,917 | 1,938,674 | 53,037 | 21,555 | 453,041 | 2,431,687 | 5,363,911 |
| Accumulated depreciation and impairment | (24,680) | (411,124) | (28,463) | (7,421) | (180,786) | (4,030) | (656,504) |
| Net carrying amount | 441,237 | 1,527,550 | 24,574 | 14,134 | 272,255 | 2,427,657 | 4,707,407 |
| **31 December 2023** | | | | | | | |
| At 1 January 2023: | | | | | | | |
| Cost | 465,917 | 1,938,674 | 53,037 | 21,555 | 453,041 | 2,431,687 | 5,363,911 |
| Accumulated depreciation and impairment | (24,680) | (411,124) | (28,463) | (7,421) | (180,786) | (4,030) | (656,504) |
| Net carrying amount | 441,237 | 1,527,550 | 24,574 | 14,134 | 272,255 | 2,427,657 | 4,707,407 |
| At 1 January 2023, net of accumulated depreciation and impairment | 441,237 | 1,527,550 | 24,574 | 14,134 | 272,255 | 2,427,657 | 4,707,407 |
| Additions | 669 | 3,601 | 91 | – | 497 | 1,303,547 | 1,308,405 |
| Transfer | 1,220,083 | 1,237,280 | 12,244 | 5,310 | 51,409 | (2,526,326) | – |
| Disposals | – | (4,183) | (185) | (23) | (1,639) | – | (6,030) |
| Assets-related government grant | – | (89,899) | – | – | – | – | (89,899) |
| Depreciation provided during the year | (34,998) | (198,976) | (11,480) | (5,695) | (42,759) | – | (293,908) |
| Impairment | – | (4,274) | (17) | – | (2,691) | – | (6,982) |
| At 31 December 2023, net of accumulated depreciation and impairment | 1,626,991 | 2,471,099 | 25,227 | 13,726 | 277,072 | 1,204,878 | 5,618,993 |

| | Buildings | Machinery | Office equipment and electronic devices | Vehicles | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 31 December 2023: | | | | | | | |
| Cost | 1,686,669 | 3,029,693 | 60,864 | 26,734 | 441,815 | 1,204,878 | 6,450,653 |
| Accumulated depreciation and impairment | (59,678) | (558,594) | (35,637) | (13,008) | (164,743) | – | (831,660) |
| Net carrying amount | 1,626,991 | 2,471,099 | 25,227 | 13,726 | 277,072 | 1,204,878 | 5,618,993 |
| **31 December 2024** | | | | | | | |
| At 1 January 2024: | | | | | | | |
| Cost | 1,686,669 | 3,029,693 | 60,864 | 26,734 | 441,815 | 1,204,878 | 6,450,653 |
| Accumulated depreciation and impairment | (59,678) | (558,594) | (35,637) | (13,008) | (164,743) | – | (831,660) |
| Net carrying amount | 1,626,991 | 2,471,099 | 25,227 | 13,726 | 277,072 | 1,204,878 | 5,618,993 |
| At 1 January 2024, net of accumulated depreciation and impairment | 1,626,991 | 2,471,099 | 25,227 | 13,726 | 277,072 | 1,204,878 | 5,618,993 |
| Additions | – | 445 | 140 | 96 | 12 | 600,099 | 600,792 |
| Transfer | 51,646 | 1,361,175 | 10,377 | 1,849 | 52,725 | (1,477,772) | – |
| Disposals | – | (10,552) | (211) | (13) | (1,476) | (73) | (12,325) |
| Assets-related government grant | – | (6,010) | – | – | – | – | (6,010) |
| Depreciation provided during the year | (81,411) | (345,423) | (11,046) | (5,536) | (53,882) | – | (497,298) |
| At 31 December 2024, net of accumulated depreciation and impairment | 1,597,226 | 3,470,734 | 24,487 | 10,122 | 274,451 | 327,132 | 5,704,152 |
| At 31 December 2024: | | | | | | | |
| Cost | 1,738,315 | 4,346,171 | 68,195 | 28,071 | 480,205 | 327,132 | 6,988,089 |
| Accumulated depreciation and impairment | (141,089) | (875,437) | (43,708) | (17,949) | (205,754) | – | (1,283,937) |
| Net carrying amount | 1,597,226 | 3,470,734 | 24,487 | 10,122 | 274,451 | 327,132 | 5,704,152 |

Due to the business adjustment and the unsatisfactory performance of certain subsidiaries, Nanjing Zenergy Battery Technologies Co., Ltd. and Dongguan Zenergy Battery Technologies Co., Ltd. has ceased their production activities since December 2022 and February 2023 respectively, and the relevant property, plant and equipment were idle or scrapped. The management concluded that there was indication for impairment and conducted impairment assessment on property, plant and equipment. At 31 December 2021, 2022, 2023 and 2024, the Group involved external experts to perform an impairment assessment on recoverable amounts of property, plant and equipment.

The recoverable amounts of these property, plant and equipment have been determined based on their fair value less costs of disposal. The Group uses market approach and considers the similar assets or observable market prices to estimate the fair value less costs of disposal of the assets. The relevant assets were impaired to their recoverable amounts if their carrying values were higher than the recoverable amounts when the impairment assessment was performed and the impairment of nil, RMB244,640,000, RMB6,982,000 and nil has been recognised in profit or loss within the relevant functions to which these assets relate as at 31 December 2021, 2022, 2023 and 2024, respectively.

At the end of the Relevant Periods, certain of the Group's property, plant and equipment were pledged to secure bank facilities granted to the Group for bank borrowings (note 28).

**The Company**

| | Buildings | Machinery | Office equipment and electronic devices | Vehicles | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2021** | | | | | | | |
| At 1 January 2021: | | | | | | | |
| Cost | – | – | 293 | 661 | 6 | 356,849 | 357,809 |
| Accumulated depreciation | – | – | (207) | (63) | – | – | (270) |
| Net carrying amount | – | – | 86 | 598 | 6 | 356,849 | 357,539 |
| At 1 January 2021, net of accumulated depreciation | – | – | 86 | 598 | 6 | 356,849 | 357,539 |
| Additions | – | 1,773 | 1,333 | 4 | 1,684 | 612,675 | 617,469 |
| Transfer | 276,855 | 397,361 | 2,933 | 5,604 | 1,112 | (683,865) | – |
| Assets-related government grant | – | (100,000) | – | – | – | – | (100,000) |
| Disposals | – | – | – | – | – | – | – |
| Depreciation provided during the year | (4,718) | (5,617) | (471) | (675) | (419) | – | (11,900) |
| At 31 December 2021, net of accumulated depreciation | 272,137 | 293,517 | 3,881 | 5,531 | 2,383 | 285,659 | 863,108 |
| At 31 December 2021: | | | | | | | |
| Cost | 276,855 | 299,134 | 4,559 | 6,269 | 2,802 | 285,659 | 875,278 |
| Accumulated depreciation | (4,718) | (5,617) | (678) | (738) | (419) | – | (12,170) |
| Net carrying amount | 272,137 | 293,517 | 3,881 | 5,531 | 2,383 | 285,659 | 863,108 |
| **31 December 2022** | | | | | | | |
| At 1 January 2022: | | | | | | | |
| Cost | 276,855 | 299,134 | 4,559 | 6,269 | 2,802 | 285,659 | 875,278 |
| Accumulated depreciation | (4,718) | (5,617) | (678) | (738) | (419) | – | (12,170) |
| Net carrying amount | 272,137 | 293,517 | 3,881 | 5,531 | 2,383 | 285,659 | 863,108 |
| At 1 January 2022, net of accumulated depreciation | 272,137 | 293,517 | 3,881 | 5,531 | 2,383 | 285,659 | 863,108 |
| Additions | 92 | 1,262 | 155 | 6 | 109 | 3,593,293 | 3,594,917 |
| Assets-related government grant | – | (43,844) | – | – | – | – | (43,844) |
| Transfer | 188,970 | 1,008,881 | 14,467 | 8,782 | 242,656 | (1,463,756) | – |
| Disposals | – | (4,129) | (5) | – | (14) | – | (4,148) |
| Depreciation provided during the year | (19,962) | (31,894) | (2,705) | (2,348) | (1,872) | – | (58,781) |
| At 31 December 2022, net of accumulated depreciation | 441,237 | 1,223,793 | 15,793 | 11,971 | 243,262 | 2,415,196 | 4,351,252 |

| | Buildings | Machinery | Office equipment and electronic devices | Vehicles | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 31 December 2022: | | | | | | | |
| Cost . . . . . . . . . . . . . | 465,917 | 1,260,899 | 19,084 | 15,057 | 245,420 | 2,415,196 | 4,421,573 |
| Accumulated depreciation . . . . . . . | (24,680) | (37,106) | (3,291) | (3,086) | (2,158) | – | (70,321) |
| Net carrying amount . . . | 441,237 | 1,223,793 | 15,793 | 11,971 | 243,262 | 2,415,196 | 4,351,252 |

| | Buildings | Machinery | Office equipment and electronic devices | Vehicles | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2023** | | | | | | | |
| At 1 January 2023: | | | | | | | |
| Cost . . . . . . . . . . . . . . | 465,917 | 1,260,899 | 19,084 | 15,057 | 245,420 | 2,415,196 | 4,421,573 |
| Accumulated depreciation. | (24,680) | (37,106) | (3,291) | (3,086) | (2,158) | – | (70,321) |
| Net carrying amount . . . . | 441,237 | 1,223,793 | 15,793 | 11,971 | 243,262 | 2,415,196 | 4,351,252 |
| At 1 January 2023, net of accumulated depreciation . | 441,237 | 1,223,793 | 15,793 | 11,971 | 243,262 | 2,415,196 | 4,351,252 |
| Additions . . . . . . . . . . . . | 669 | 85,172 | 907 | 198 | 5,932 | 1,286,096 | 1,378,974 |
| Transfer . . . . . . . . . . . . . | 1,220,083 | 1,223,736 | 11,339 | 5,300 | 39,766 | (2,500,224) | – |
| Disposals . . . . . . . . . . . . | – | (1,577) | (179) | (2) | – | – | (1,758) |
| Assets-related government grant. . . . . . . . . . . . . . | – | (89,899) | – | – | – | – | (89,899) |
| Depreciation provided during the year . . . . . . . | (34,998) | (144,894) | (6,285) | (4,141) | (31,456) | – | (221,774) |
| At 31 December 2023, net of accumulated depreciation . . . . . . . . . | 1,626,991 | 2,296,331 | 21,575 | 13,326 | 257,504 | 1,201,068 | 5,416,795 |
| At 31 December 2023: | | | | | | | |
| Cost . . . . . . . . . . . . . . | 1,686,669 | 2,478,151 | 31,089 | 20,552 | 291,118 | 1,201,068 | 5,708,647 |
| Accumulated depreciation. | (59,678) | (181,820) | (9,514) | (7,226) | (33,614) | – | (291,852) |
| Net carrying amount . . . . | 1,626,991 | 2,296,331 | 21,575 | 13,326 | 257,504 | 1,201,068 | 5,416,795 |
| **31 December 2024** | | | | | | | |
| At 1 January 2024: | | | | | | | |
| Cost . . . . . . . . . . . . . . | 1,686,669 | 2,478,151 | 31,089 | 20,552 | 291,118 | 1,201,068 | 5,708,647 |
| Accumulated depreciation. | (59,678) | (181,820) | (9,514) | (7,226) | (33,614) | – | (291,852) |
| Net carrying amount . . . . | 1,626,991 | 2,296,331 | 21,575 | 13,326 | 257,504 | 1,201,068 | 5,416,795 |

| | Buildings | Machinery | Office equipment and electronic devices | Vehicles | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2024, net of accumulated depreciation | 1,626,991 | 2,296,331 | 21,575 | 13,326 | 257,504 | 1,201,068 | 5,416,795 |
| Additions | – | 4,640 | 235 | 48 | 714 | 591,411 | 597,048 |
| Transfer | 51,646 | 1,356,624 | 10,141 | 1,849 | 50,815 | (1,471,075) | – |
| Disposals | – | (10,608) | (128) | (13) | (84) | (73) | (10,906) |
| Assets-related government grant | – | (6,010) | – | – | – | – | (6,010) |
| Depreciation provided during the year | (81,411) | (308,630) | (8,709) | (5,069) | (44,285) | – | (448,104) |
| At 31 December 2024, net of accumulated depreciation | 1,597,226 | 3,332,347 | 23,114 | 10,141 | 264,664 | 321,331 | 5,548,823 |
| At 31 December 2024: | | | | | | | |
| Cost | 1,738,315 | 3,800,865 | 39,178 | 21,726 | 342,444 | 321,331 | 6,263,859 |
| Accumulated depreciation | (141,089) | (468,518) | (16,064) | (11,585) | (77,780) | – | (715,036) |
| Net carrying amount | 1,597,226 | 3,332,347 | 23,114 | 10,141 | 264,664 | 321,331 | 5,548,823 |

## 14. LEASES

**The Group as a lessee**

The Group has lease contracts for various items of leasehold land and plant and properties used in its operations. Leases of leasehold land generally have lease terms of 50 years, while plant and properties generally have lease terms between 1.2 and 10.2 years. Other equipment generally has lease terms of 12 months or less or is individually of low value.

***(a) Right-of-use assets***

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

**The Group**

| | Leasehold land | Plant and properties | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| As at 1 January 2021 | 9,285 | 70,976 | 80,261 |
| Additions | 71,189 | 312,264 | 383,453 |
| Depreciation charge | (665) | (21,199) | (21,864) |
| As at 31 December 2021 and 1 January 2022 | 79,809 | 362,041 | 441,850 |
| Additions | – | 44,113 | 44,113 |
| Acquisition of a subsidiary *(note 33)* | – | 12,658 | 12,658 |
| Depreciation charge | (1,531) | (42,173) | (43,704) |
| Assets-related government grant | (24,500) | – | (24,500) |
| Remeasurement of lease payments | – | (127,298) | (127,298) |
| As at 31 December 2022 and 1 January 2023 | 53,778 | 249,341 | 303,119 |
| Depreciation charge | (1,113) | (39,336) | (40,449) |
| Remeasurement of lease payments | – | (5,267) | (5,267) |

| | Leasehold land | Plant and properties | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| As at 31 December 2023 and 1 January 2024 | 52,665 | 204,738 | 257,403 |
| Additions | – | 1,921 | 1,921 |
| Depreciation charge | (1,113) | (31,789) | (32,902) |
| As at 31 December 2024 | 51,552 | 174,870 | 226,422 |

At the end of the Relevant Periods, certain of the Group's right-of-use assets were pledged to secure bank facilities granted to the Group for bank borrowings (note 28).

**The Company**

| | Leasehold land | Plant and properties | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| As at 1 January 2021 | 9,285 | – | 9,285 |
| Additions | 71,189 | 220,341 | 291,530 |
| Depreciation charge | (665) | (5,419) | (6,084) |
| As at 31 December 2021 and 1 January 2022 | 79,809 | 214,922 | 294,731 |
| Depreciation charge | (1,531) | (21,673) | (23,204) |
| Assets-related government grant | (24,500) | – | (24,500) |
| As at 31 December 2022 and 1 January 2023 | 53,778 | 193,249 | 247,027 |
| Depreciation charge | (1,113) | (21,673) | (22,786) |
| As at 31 December 2023 and 1 January 2024 | 52,665 | 171,576 | 224,241 |
| Additions | – | 1,921 | 1,921 |
| Depreciation charge | (1,113) | (22,222) | (23,335) |
| As at 31 December 2024 | 51,552 | 151,275 | 202,827 |

***(b) Lease liabilities***

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

**The Group**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Carrying amount at the beginning of the year | 70,976 | 348,556 | 241,583 | 202,790 |
| New leases | 312,264 | 44,113 | – | 1,921 |
| Acquisition of a subsidiary *(note 33)* | – | 13,447 | – | – |
| Accretion of interest recognised during the year | 6,170 | 13,292 | 11,089 | 9,597 |
| Remeasurement of lease payments | – | (121,808) | (5,302) | – |
| Payments | (40,854) | (56,017) | (44,580) | (37,877) |
| Carrying amount at the end of the year | 348,556 | 241,583 | 202,790 | 176,431 |
| Analysed into: | | | | |
| Current portion | 36,674 | 34,046 | 27,021 | 30,397 |
| Non-current portion | 311,882 | 207,537 | 175,769 | 146,034 |

**The Company**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Carrying amount at the beginning of the year | – | 198,518 | 183,697 | 167,395 |
| New leases | 220,341 | – | – | 1,921 |
| Accretion of interest recognised during the year | 2,591 | 9,774 | 9,033 | 8,235 |
| Payments | (24,414) | (24,595) | (25,335) | (26,930) |
| Carrying amount at the end of the year | 198,518 | 183,697 | 167,395 | 150,621 |
| Analysed into: | | | | |
| Current portion | 14,821 | 16,302 | 17,874 | 20,648 |
| Non-current portion | 183,697 | 167,395 | 149,521 | 129,973 |

*(c)* The amounts recognised in profit or loss in relation to leases are as follows:

**The Group**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest on lease liabilities | 6,170 | 13,292 | 11,089 | 9,597 |
| Depreciation charge of right-of-use assets | 21,864 | 43,704 | 40,449 | 32,902 |
| Expenses relating to short-term leases and leases of low-value assets | 7,448 | 25,534 | 12,611 | 13,299 |
| Losses/(gains) on remeasurement of lease payments | – | 5,490 | (35) | – |
| Total amount recognised in profit or loss | 35,482 | 88,020 | 64,114 | 55,798 |

## 15. OTHER INTANGIBLE ASSETS

**The Group**

| | Trademarks and patents | Software | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2021** | | | |
| At 1 January 2021: | | | |
| Cost | 776,742 | 17,834 | 794,576 |
| Accumulated amortisation and impairment | (127,442) | (2,829) | (130,271) |
| Net carrying amount | 649,300 | 15,005 | 664,305 |
| Cost at 1 January 2021, net of accumulated amortisation and impairment | 649,300 | 15,005 | 664,305 |
| Additions | – | 586 | 586 |
| Amortisation provided during the year | (70,218) | (2,422) | (72,640) |
| At 31 December 2021 | 579,082 | 13,169 | 592,251 |

| | Trademarks and patents | Software | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 31 December 2021 and at 1 January 2022: | | | |
| Cost | 776,742 | 18,420 | 795,162 |
| Accumulated amortisation and impairment | (197,660) | (5,251) | (202,911) |
| Net carrying amount | 579,082 | 13,169 | 592,251 |
| **31 December 2022** | | | |
| Cost at 1 January 2022, net of accumulated amortisation and impairment | 579,082 | 13,169 | 592,251 |
| Additions | 1,147 | 18,418 | 19,565 |
| Acquisition of a subsidiary *(note 33)* | 5,369 | 8,289 | 13,658 |
| Amortisation provided during the year | (70,733) | (5,682) | (76,415) |
| At 31 December 2022 | 514,865 | 34,194 | 549,059 |
| At 31 December 2022 and at 1 January 2023: | | | |
| Cost | 783,258 | 45,127 | 828,385 |
| Accumulated amortisation and impairment | (268,393) | (10,933) | (279,326) |
| Net carrying amount | 514,865 | 34,194 | 549,059 |
| **31 December 2023** | | | |
| Cost at 1 January 2023, net of accumulated amortisation and impairment | 514,865 | 34,194 | 549,059 |
| Additions | – | 21,993 | 21,993 |
| Disposals | – | (64) | (64) |
| Amortisation provided during the year | (70,807) | (8,689) | (79,496) |
| At 31 December 2023 | 444,058 | 47,434 | 491,492 |
| At 31 December 2023 and at 1 January 2024: | | | |
| Cost | 783,258 | 65,042 | 848,300 |
| Accumulated amortisation and impairment | (339,200) | (17,608) | (356,808) |
| Net carrying amount | 444,058 | 47,434 | 491,492 |
| **31 December 2024** | | | |
| Cost at 1 January 2024, net of accumulated amortisation and impairment | 444,058 | 47,434 | 491,492 |
| Additions | – | 10,329 | 10,329 |
| Amortisation provided during the year | (68,774) | (9,968) | (78,742) |
| At 31 December 2024 | 375,284 | 47,795 | 423,079 |
| At 31 December 2024: | | | |
| Cost | 783,258 | 75,371 | 858,629 |
| Accumulated amortisation and impairment | (407,974) | (27,576) | (435,550) |
| Net carrying amount | 375,284 | 47,795 | 423,079 |

**The Company**

| | Trademarks and patents | Software | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2021** | | | |
| Cost at 1 January 2021, net of accumulated amortisation | – | – | – |
| Additions | – | 417 | 417 |
| Amortisation provided during the year | – | (17) | (17) |
| At 31 December 2021 | – | 400 | 400 |
| At 31 December 2021 and at 1 January 2022: | | | |
| Cost | – | 417 | 417 |
| Accumulated amortisation | – | (17) | (17) |
| Net carrying amount | – | 400 | 400 |
| **31 December 2022** | | | |
| Cost at 1 January 2022, net of accumulated amortisation | – | 400 | 400 |
| Additions | 568,525 | 29,882 | 598,407 |
| Amortisation provided during the year | (58,582) | (2,837) | (61,419) |
| At 31 December 2022 | 509,943 | 27,445 | 537,388 |
| At 31 December 2022 and at 1 January 2023: | | | |
| Cost | 568,525 | 30,299 | 598,824 |
| Accumulated amortisation and impairment | (58,582) | (2,854) | (61,436) |
| Net carrying amount | 509,943 | 27,445 | 537,388 |
| **31 December 2023** | | | |
| Cost at 1 January 2023, net of accumulated amortisation and impairment | 509,943 | 27,445 | 537,388 |
| Additions | – | 20,175 | 20,175 |
| Amortisation provided during the year | (70,270) | (6,434) | (76,704) |
| At 31 December 2023 | 439,673 | 41,186 | 480,859 |
| At 31 December 2023 and at 1 January 2024: | | | |
| Cost | 568,525 | 50,474 | 618,999 |
| Accumulated amortisation and impairment | (128,852) | (9,288) | (138,140) |
| Net carrying amount | 439,673 | 41,186 | 480,859 |
| **31 December 2024** | | | |
| Cost at 1 January 2024, net of accumulated amortisation and impairment | 439,673 | 41,186 | 480,859 |
| Additions | – | 10,329 | 10,329 |
| Amortisation provided during the year | (68,237) | (8,238) | (76,475) |
| At 31 December 2024 | 371,436 | 43,277 | 414,713 |
| At 31 December 2024: | | | |
| Cost | 568,525 | 60,803 | 629,328 |
| Accumulated amortisation and impairment | (197,089) | (17,526) | (214,615) |
| Net carrying amount | 371,436 | 43,277 | 414,713 |

## 16. INVESTMENTS IN JOINT VENTURES

### The Group

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Share of net assets | – | 64,537 | 468,695 | 584,967 |
| Goodwill on acquisition | – | – | 2,882,206 | 2,882,206 |
| Total | – | 64,537 | 3,350,901 | 3,467,173 |

### The Company

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Share of net assets | – | – | 444,104 | 551,538 |
| Goodwill on acquisition | – | – | 2,882,206 | 2,882,206 |
| Total | – | – | 3,326,310 | 3,433,744 |

The Group's and the Company's outstanding balances with the joint ventures are disclosed in note 37.

In November 2023, with a view to reorganizing the shareholding structure of Sinogy Toyota Automotive Energy System Co., Ltd. ("STAES"), the Company entered into an equity transfer agreement with Changshu SINOGY Venture Capital Co., Ltd. ("SINOGY VC") to acquire 50% of the equity interests in STAES (the "STAES Reorganization Transaction"). The rationale for the STAES Reorganization Transaction was to advance the business development strategies of the Group, resolve any potential competition issue which may arise from operating in the same industry between SINOGY VC, one of the Group's Controlling Shareholders and a former shareholder of STAES prior to the STAES Reorganization Transaction, and the Group, as well as promote and maintain cooperation with Toyota Motor Corporation and Toyota Motor (China) Investment Co., Ltd. The total consideration was approximately RMB3,311 million, which comprises cash consideration of RMB496 million and share consideration of RMB2,815 million (issued and exchanged 368,941,151 paid-in capital measured at cost per capital after Series A at RMB7.63).

STAES is considered a material joint venture of the Group and is accounted for using the equity method.

| | As at 31 December | As at 31 December |
|---|---|---|
| | 2023 | 2024 |
| | *RMB'000* | *RMB'000* |
| Cash and cash equivalents | 628,654 | 681,515 |
| Other current assets | 1,162,698 | 1,117,803 |
| Current assets | 1,791,352 | 1,799,318 |
| Non-current assets, excluding goodwill | 371,558 | 316,329 |
| Goodwill on acquisition of the joint venture | 2,882,206 | 2,882,206 |
| Financial liabilities, excluding trade and other payables and provisions | (426,000) | (267,311) |
| Other current liabilities | (829,838) | (727,926) |
| Current liabilities | (1,255,838) | (995,237) |
| Non-current liabilities | (18,865) | (17,333) |
| Net assets | 3,770,413 | 3,985,283 |

| | As at 31 December 2023 | As at 31 December 2024 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Net assets, excluding goodwill | 888,207 | 1,103,077 |
| Reconciliation to the Group's interest in the joint venture: | | |
| Proportion of the Group's ownership | 50% | 50% |
| Group's share of net assets of the joint venture, excluding goodwill | 444,104 | 551,538 |
| Goodwill on acquisition | 2,882,206 | 2,882,206 |
| Carrying amount of the investment | 3,326,310 | 3,433,744 |

| | For the period from 1 December 2023 (date of commencement of equity method accounting) to 31 December 2023 | Year ended 31 December 2024 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Revenue | 656,982 | 6,665,307 |
| Profit for the period/year | 29,704 | 587,316 |
| Dividend received | – | 186,224 |

The following table illustrates the financial information of the Group's joint venture that is not individually material:

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Share of the joint venture's (gain)/loss for the year | – | (923) | 39,946 | (8,838) |
| Carrying amount of the Group's investment in the joint venture | – | 64,537 | 24,591 | 33,429 |

## 17. INVESTMENTS IN SUBSIDIARIES

### The Company

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Investments, at cost | – | 1,618,658 | 1,619,710 | 2,628,532 |
| Impairment losses on investments in subsidiaries | – | (697,805) | (754,330) | (784,527) |
| Investments in subsidiaries | – | 920,853 | 865,380 | 1,844,005 |

The impairment losses on those subsidiaries are as follows:

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Nanjing Zenergy Battery Technologies Co., Ltd.* | – | 624,805 | 660,341 | 690,538 |
| Dongguan Zenergy Battery Technologies Co., Ltd.* | – | 68,651 | 93,989 | 93,989 |
| Jiangsu Zenergy Power Battery System Co., Ltd.** | – | 4,349 | – | – |
| Total | – | 697,805 | 754,330 | 784,527 |

* Due to the business adjustment and the unsatisfactory performance of certain subsidiaries, Nanjing Zenergy Battery Technologies Co., Ltd. and Dongguan Zenergy Battery Technologies Co., Ltd. have ceased their production activities since December 2022 and February 2023, respectively. The management concluded that there was indication for impairment and perform an impairment assessment on recoverable amounts of property, plant and equipment (Note 13) and investments in those subsidiaries.

** Jiangsu Zenergy Power Battery System Co., Ltd. was deregistered on 8 February 2023.

The Company's outstanding balances with the subsidiaries are disclosed in note 37.

## 18. DEFERRED TAX

**The Group**

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

***Deferred tax assets***

| | Leases |
|---|---|
| | *RMB'000* |
| At 1 January 2021 | 10,646 |
| Deferred tax credited to profit or loss during the year | 41,637 |
| Gross deferred tax assets at 31 December 2021 | 52,283 |
| Deferred tax charged to profit or loss during the year | (16,046) |
| Gross deferred tax assets at 31 December 2022 | 36,237 |
| Deferred tax charged to profit or loss during the year | (5,818) |
| Gross deferred tax assets at 31 December 2023 | 30,419 |
| Deferred tax charged to profit or loss during the year | (1,927) |
| Gross deferred tax assets at 31 December 2024 | 28,492 |

***Deferred tax liabilities***

| | Fair value adjustment arising from acquisition of subsidiaries | Leases | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2021 | 100,133 | 10,646 | 110,779 |
| Deferred tax (credited)/charged to profit or loss during the year | (11,444) | 43,660 | 32,216 |
| Gross deferred tax liabilities at 31 December 2021 | 88,689 | 54,306 | 142,995 |
| Acquisition of a subsidiary *(note 33)* | 33,563 | – | 33,563 |
| Deferred tax credited to profit or loss during the year | (38,603) | (16,905) | (55,508) |
| Gross deferred tax liabilities at 31 December 2022 | 83,649 | 37,401 | 121,050 |
| Deferred tax credited to profit or loss during the year | (13,640) | (6,690) | (20,330) |
| Gross deferred tax liabilities at 31 December 2023 | 70,009 | 30,711 | 100,720 |
| Deferred tax credited to profit or loss during the year | (12,113) | (2,121) | (14,234) |
| Gross deferred tax liabilities at 31 December 2024 | 57,896 | 28,590 | 86,486 |

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Net deferred tax assets recognised in the consolidated statement of financial position | – | – | – | – |
| Net deferred tax liabilities recognised in the consolidated statement of financial position | 90,712 | 84,813 | 70,301 | 57,994 |

Deferred tax assets have not been recognised in respect of the following items:

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Tax losses | 1,507,764 | 556,472 | 1,507,595 | 2,260,627 |
| Deductible temporary differences | 269,324 | 1,884,176 | 1,587,225 | 1,445,680 |
| Total | 1,777,088 | 2,440,648 | 3,094,820 | 3,706,307 |

The Group has tax losses arising in Mainland China of RMB1,507,764,000, RMB556,472,000, RMB1,507,595,000 and RMB2,260,627,000 as at 31 December 2021, 2022, 2023 and 2024, respectively, that will expire in one to ten years for offsetting against future taxable profits. The management believes that it is not considered probable that taxable profits will be available against which the tax losses can be utilized, accordingly, deferred tax assets have not been recognised in respect of these losses.

## 19. INVENTORIES

**The Group**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Raw materials | 179,768 | 232,176 | 168,100 | 202,140 |
| Work in progress | 73,989 | 68,722 | 93,864 | 132,688 |
| Finished goods | 502,804 | 1,270,612 | 542,511 | 377,122 |
| | 756,561 | 1,571,510 | 804,475 | 711,950 |
| Less: Provision for inventories | 47,022 | 558,590 | 190,719 | 33,238 |
| Total | 709,539 | 1,012,920 | 613,756 | 678,712 |

As at 31 December 2021, 2022, 2023 and 2024, inventories were stated at the lower of cost and net realisable value.

***The movements in provision***

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Carrying amount at the beginning of the year | 71,940 | 47,022 | 558,590 | 190,719 |
| Impairment losses recognised | 75,127 | 579,261 | 282,437 | 55,397 |
| Amounts written off | (100,045) | (67,693) | (650,308) | (212,878) |
| Carrying amount at the end of the year | 47,022 | 558,590 | 190,719 | 33,238 |

**The Company**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Raw materials | 96,386 | 161,179 | 131,738 | 178,881 |
| Work in progress | 39,353 | 38,576 | 91,227 | 131,802 |
| Finished goods | 226,805 | 662,671 | 521,828 | 363,531 |
| | 362,544 | 862,426 | 744,793 | 674,214 |
| Less: Provision for inventories | 5,545 | 191,958 | 180,479 | 32,331 |
| Total | 356,999 | 670,468 | 564,314 | 641,883 |

As at 31 December 2021, 2022, 2023 and 2024, inventories were stated at the lower of cost and net realisable value.

***The movements in provision***

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Carrying amount at the beginning of the year | 87 | 5,545 | 191,958 | 180,479 |
| Impairment losses recognised | 26,512 | 204,992 | 265,377 | 54,031 |
| Amounts written off | (21,054) | (18,579) | (276,856) | (202,179) |
| Carrying amount at the end of the year | 5,545 | 191,958 | 180,479 | 32,331 |

## 20. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS

**The Group**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | 346,532 | 692,459 | 1,328,257 | 1,860,218 |
| Contract assets | 11,966 | 2,000 | 6,658 | 5,388 |
| Commercial acceptance bills receivables | 13,070 | – | 20,465 | 2,003 |
| Bank acceptance bills receivables | 28,818 | 238,899 | 415,489 | 385,149 |
| Due from related parties – trade receivables | 254 | 1,287 | – | – |
| Total | 400,640 | 934,645 | 1,770,869 | 2,252,758 |
| Less: Impairment losses | 79,091 | 606,207 | 616,993 | 624,309 |
| Net carrying amount | 321,549 | 328,438 | 1,153,876 | 1,628,449 |

The Group's trading terms with its customers are mainly on credit. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk.

The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the Group's trade and bills receivables and contract assets, based on recognition date and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 3 months | 297,181 | 315,117 | 890,722 | 1,417,462 |
| 3 to 6 months | 24,239 | 13,321 | 259,402 | 196,026 |
| 6 months to 1 year | 25 | – | 3,752 | 7,753 |
| 1 to 2 years | 104 | – | – | 7,208 |
| Total | 321,549 | 328,438 | 1,153,876 | 1,628,449 |

The movements in the impairment losses on trade and bills receivables and contract assets are as follows:

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At beginning of year | 80,461 | 79,091 | 606,207 | 616,993 |
| Impairment losses recognised | (1,370) | 605,877 | 10,786 | 9,213 |
| Amounts written off as uncollectible | – | – | – | (1,897) |
| Decrease from the Reorganisation | – | (78,761) | – | – |
| At end of year | 79,091 | 606,207 | 616,993 | 624,309 |

The Group applies the simplified approach in calculating ECLs for trade and bill receivables and contract assets. Trade and bill receivables and contract assets relating to customers not sharing similar credit risk with others are assessed individually for impairment allowance, for instance, customers with known financial difficulties or significant doubt on collection. The remaining trade and bills receivables and contract assets are grouped and collectively assessed for impairment allowance. Under the collective approach, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing analysis for grouping of customers that have similar loss patterns. The calculation reflects the age of the balance, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and influence from macro economy.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

| | Within 3 months | 3 to 6 months | 6 months to 1 year | 2 to 3 years | Total |
|---|---|---|---|---|---|
| **As at 31 December 2021** | | | | | |
| On a collective basis: | | | | | |
| Expected credit loss rate | 3.73% | 3.73% | 37.50% | 89.73% | 4.03% |
| Gross carrying amount *(RMB'000)* | 273,741 | 16,611 | 40 | 1,013 | 291,405 |
| Expected credit losses *(RMB'000)* | 10,201 | 619 | 15 | 909 | 11,744 |
| On an individual basis: | | | | | |
| Expected credit loss rate | | | | | 100.00% |
| Gross carrying amount *(RMB'000)* | | | | | 67,347 |
| Expected credit losses *(RMB'000)* | | | | | 67,347 |

| | Within 3 months | 3 to 6 months | 6 months to 1 year | Total |
|---|---|---|---|---|
| **As at 31 December 2022** | | | | |
| On a collective basis: | | | | |
| Expected credit loss rate | 2.50% | 2.50% | – | 2.50% |
| Gross carrying amount *(RMB'000)* | 90,240 | 2,002 | – | 92,242 |
| Expected credit losses *(RMB'000)* | 2,259 | 50 | – | 2,309 |
| On an individual basis: | | | | |
| Expected credit loss rate | | | | 100% |
| Gross carrying amount *(RMB'000)* | | | | 603,504 |
| Expected credit losses *(RMB'000)* | | | | 603,504 |

| | Within 3 months | 3 to 6 months | 6 months to 1 year | Total |
|---|---|---|---|---|
| **As at 31 December 2023** | | | | |
| On a collective basis: | | | | |
| Expected credit loss rate | 1.76% | 1.76% | 6.50% | 1.79% |
| Gross carrying amount *(RMB'000)* | 696,293 | 31,105 | 4,013 | 731,411 |
| Expected credit losses *(RMB'000)* | 12,252 | 547 | 261 | 13,060 |
| On an individual basis: | | | | |
| Expected credit loss rate | | | | 100% |
| Gross carrying amount *(RMB'000)* | | | | 603,504 |
| Expected credit losses *(RMB'000)* | | | | 603,504 |

| | Within 3 months | 3 to 6 months | 6 months to 1 year | 1 to 2 years | Total |
|---|---|---|---|---|---|
| **As at 31 December 2024** | | | | | |
| On a collective basis: | | | | | |
| Expected credit loss rate | 1.33% | 1.33% | 6.90% | 33.92% | 1.65% |
| Gross carrying amount *(RMB'000)* | 1,227,266 | 15,600 | 8,328 | 10,908 | 1,262,102 |
| Expected credit losses *(RMB'000)* | 16,323 | 207 | 575 | 3,700 | 20,805 |
| On an individual basis: | | | | | |
| Expected credit loss rate | | | | | 100% |
| Gross carrying amount *(RMB'000)* | | | | | 603,504 |
| Expected credit losses *(RMB'000)* | | | | | 603,504 |

The bills receivables held by the Group were mostly issued by reputable banks and with short-term maturity. Accordingly, the identified impairment loss was assessed to be minimal as at the end of each of the Relevant Periods.

**The Company**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | – | 690,094 | 1,325,877 | 1,858,078 |
| Contract assets | – | 2,000 | 6,658 | 5,388 |
| Commercial acceptance bills receivables | – | – | 20,465 | 2,003 |
| Bank acceptance bills receivables | 4,000 | 111,419 | 410,329 | 385,149 |
| Due from subsidiaries – bills receivables | – | 20,000 | – | 29,820 |
| Due from related parties – trade receivables | 303,581 | – | – | – |
| Due from related parties – bills receivables | 125,885 | – | – | – |
| Total | 433,466 | 823,513 | 1,763,329 | 2,280,438 |
| Less: Impairment losses | 123 | 603,810 | 614,819 | 622,169 |
| Net carrying amount | 433,343 | 219,703 | 1,148,510 | 1,658,269 |

An ageing analysis of the Company's trade and bills receivables and contract assets, based on recognition date and net of loss allowance, as at the end of each of the Relevant Periods is as follows:

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 3 months | 433,343 | 215,414 | 888,499 | 1,417,462 |
| 3 to 6 months | – | 4,289 | 256,259 | 225,846 |
| 6 months to 1 year | – | – | 3,752 | 7,753 |
| 1 to 2 years | – | – | – | 7,208 |
| Total | 433,343 | 219,703 | 1,148,510 | 1,658,269 |

The movements in the loss allowance for impairment of trade and bills receivables and contract assets are as follows:

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At beginning of year | 23 | 123 | 603,810 | 614,819 |
| Impairment losses recognised | 100 | 603,687 | 11,009 | 9,247 |
| Amounts written off as uncollectible | – | – | – | (1,897) |
| At end of year | 123 | 603,810 | 614,819 | 622,169 |

Set out below is the information about the credit risk exposure on the Company's trade receivables and contract assets using a provision matrix:

| | Within 3 months | 3 to 6 months | 6 months to 1 year | 1 to 2 years | Total |
|---|---|---|---|---|---|
| **As at 31 December 2021** | | | | | |
| On a collective basis: | | | | | |
| Expected credit loss rate | – | – | – | – | – |
| Gross carrying amount *(RMB'000)* | 303,581 | – | – | – | 303,581 |
| Expected credit losses *(RMB'000)* | – | – | – | – | – |
| On an individual basis: | | | | | |
| Expected credit loss rate | | | | | – |
| Gross carrying amount *(RMB'000)* | | | | | – |
| Expected credit losses *(RMB'000)* | | | | | – |
| **As at 31 December 2022** | | | | | |
| On a collective basis: | | | | | |
| Expected credit loss rate | 2.50% | 3.75% | – | – | 2.56% |
| Gross carrying amount *(RMB'000)* | 86,728 | 4,002 | – | – | 90,730 |
| Expected credit losses *(RMB'000)* | 2,172 | 150 | – | – | 2,322 |
| On an individual basis: | | | | | |
| Expected credit loss rate | | | | | 100% |
| Gross carrying amount *(RMB'000)* | | | | | 601,364 |
| Expected credit losses *(RMB'000)* | | | | | 601,364 |
| **As at 31 December 2023** | | | | | |
| On a collective basis: | | | | | |
| Expected credit loss rate | 1.76% | 1.76% | 6.50% | – | 1.79% |
| Gross carrying amount *(RMB'000)* | 696,051 | 31,107 | 4,013 | – | 731,171 |
| Expected credit losses *(RMB'000)* | 12,247 | 547 | 261 | – | 13,055 |

| | Within 3 months | 3 to 6 months | 6 months to 1 year | 1 to 2 years | Total |
|---|---|---|---|---|---|
| On an individual basis: | | | | | |
| Expected credit loss rate | | | | | 100.00% |
| Gross carrying amount *(RMB'000)* | | | | | 601,364 |
| Expected credit losses *(RMB'000)* | | | | | 601,364 |
| **As at 31 December 2024** | | | | | |
| On a collective basis: | | | | | |
| Expected credit loss rate | 1.33% | 1.33% | 6.90% | 33.92% | 1.65% |
| Gross carrying amount *(RMB'000)* | 1,227,266 | 15,600 | 8,328 | 10,908 | 1,262,102 |
| Expected credit losses *(RMB'000)* | 16,323 | 207 | 575 | 3,700 | 20,805 |
| On an individual basis: | | | | | |
| Expected credit loss rate | | | | | 100.00% |
| Gross carrying amount *(RMB'000)* | | | | | 601,364 |
| Expected credit losses *(RMB'000)* | | | | | 601,364 |

## 21. BILLS RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

**The Group**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Bills receivables at fair value through other comprehensive income | – | – | – | 92,936 |

**The Company**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Bills receivables at fair value through other comprehensive income | – | – | – | 92,936 |

All these bills receivables at fair value through other comprehensive income are aged within six months. The identified impairment loss was assessed to be minimal as at the end of each of the Relevant Periods.

## 22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

**The Group**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Current portion:** | | | | |
| Prepayments to suppliers | 24,552 | 16,071 | 8,556 | 8,586 |
| Other receivables | 54,304 | 135 | 202 | 2,105 |
| Other tax recoverable | 116,580 | 167,469 | 68,168 | 49,757 |
| Prepaid expenses | 3,426 | 6,022 | 3,415 | 4,505 |
| Listing expenses | – | – | – | 8,051 |
| Deposits | 5,553 | 6,055 | 805 | 366 |
| | 204,415 | 195,752 | 81,146 | 73,370 |

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Impairment allowance | (54,246) | (53) | (10) | (9) |
| Subtotal | 150,169 | 195,699 | 81,136 | 73,361 |
| **Non-current portion:** | | | | |
| Other receivables | 12,179 | 702 | 702 | – |
| Deposits | 8,499 | 46,118 | 46,186 | 39,727 |
| Prepayments for long-term assets | 378,316 | 108,109 | 9,186 | 618 |
| | 398,994 | 154,929 | 56,074 | 40,345 |
| Impairment allowance | (330) | (647) | (710) | (533) |
| Subtotal | 398,664 | 154,282 | 55,364 | 39,812 |
| Total | 548,833 | 349,981 | 136,500 | 113,173 |

At the end of each of the Relevant Periods, the ECLs of the financial assets included in prepayments, other receivables and other assets were measured based on the 12-month expected credit loss if they were not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on the lifetime expected credit loss. An impairment analysis was performed at the end of each of the Relevant Periods.

**The Company**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Current portion:** | | | | |
| Prepayments to suppliers | 16,037 | 13,512 | 7,769 | 8,013 |
| Other receivables | 45 | 123 | 163 | 2,093 |
| Other tax recoverable | 13,925 | 17,931 | 30,260 | 29,378 |
| Prepaid expenses | 3,349 | 5,933 | 3,374 | 4,505 |
| Deposits | 5 | 3,498 | 677 | 366 |
| Listing expenses | – | – | – | 8,051 |
| Due from a related party | 123,074 | – | – | – |
| Due from subsidiaries | 1,000 | 152,270 | 42,184 | 42,000 |
| | 157,435 | 193,267 | 84,427 | 94,406 |
| Impairment allowance | (1) | (42,037) | (42,007) | (42,009) |
| Subtotal | 157,434 | 151,230 | 42,420 | 52,397 |
| **Non-current portion:** | | | | |
| Deposits | 8,497 | 42,415 | 42,611 | 36,080 |
| Prepayments for long-term assets | 336,383 | 107,353 | 8,880 | 297 |
| | 344,880 | 149,768 | 51,491 | 36,377 |
| Impairment allowance | (34) | (602) | (655) | (470) |
| Subtotal | 344,846 | 149,166 | 50,836 | 35,907 |
| Total | 502,280 | 300,396 | 93,256 | 88,304 |

## 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

**The Group**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Structured deposits, at fair value | – | 944,104 | – | – |
| Wealth management products | – | 218,461 | – | – |
| Total | – | 1,162,565 | – | – |

**The Company**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Structured deposits, at fair value | – | 815,000 | – | – |
| Wealth management products | – | 155,012 | – | – |
| Total | – | 970,012 | – | – |

As at 31 December 2022, the structured deposits and wealth management products were issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. All the structured deposits and wealth management products were disposed in 2023.

## 24. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND RESTRICTED BANK BALANCES

**The Group**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash and cash equivalents | 767,411 | 936,164 | 2,034,279 | 2,199,072 |
| Time deposits with original maturity of more than three months to one year when acquired | – | – | – | 101,982 |
| Pledged deposits | 1,020,347 | 1,035,350 | 472,305 | 953,254 |
| Restricted cash from lawsuit | – | – | – | 4,550 |
| Total | 1,787,758 | 1,971,514 | 2,506,584 | 3,258,858 |

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash and cash equivalents | | | | |
| Denominated in RMB | 764,932 | 936,164 | 2,034,279 | 2,142,711 |
| Denominated in United States dollar ("**USD**") | 2,443 | – | – | 56,361 |
| Denominated in Euro ("**EUR**") | 36 | – | – | – |
| Total | 767,411 | 936,164 | 2,034,279 | 2,199,072 |

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Time deposits with original maturity of more than three months to one year when acquired in RMB | – | – | – | 101,982 |
| Pledged deposits denominated in RMB | 1,020,347 | 1,035,350 | 472,305 | 953,254 |
| Restricted cash from lawsuit denominated in RMB | – | – | – | 4,550 |

**The Company**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash and cash equivalents | | | | |
| Denominated in RMB | 694,862 | 861,892 | 1,826,928 | 938,263 |
| Denominated in USD | – | – | – | 56,361 |
| Total | 694,862 | 861,892 | 1,826,928 | 994,624 |
| Time deposits with original maturity of more than three months to one year when acquired in RMB | – | – | – | 101,982 |
| Pledged deposits denominated in RMB | 450,767 | 763,419 | 457,906 | 923,434 |
| Restricted cash from lawsuit in RMB | – | – | – | 4,550 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

At the end of the Relevant Periods, the Group's and the Company's certain deposits were pledged for issuance of bank acceptance bills (note 25) and interest-bearing bank borrowings (note 28).

As at 31 December 2021, 2022, 2023 and 2024, the Group and the Company have assessed the credit risk of cash and cash equivalents, time deposits, pledged deposits and restricted cash from lawsuit to be minimal as they were placed in reputable financial institutions.

## 25. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the Relevant Periods, based on recognition date, is as follows:

**The Group**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 1,808,665 | 3,011,888 | 3,415,144 | 3,741,138 |
| 1 to 2 years | 2,781 | 444 | 710 | 1,394 |
| 2 to 3 years | 1,843 | – | – | 54 |
| Total | 1,813,289 | 3,012,332 | 3,415,854 | 3,742,586 |

The trade payables are non-interest-bearing and are normally settled in 30 to 90 days upon receipt of the VAT invoice.

In 2024, the Group entered into supplier finance arrangements with China Construction Bank Corporation Changshu Branch ("CCB") and Jianxin Rongtong Co., Ltd. ("Jianxin"), together as the "factoring companies". Under these supplier finance arrangements, the Group's suppliers can elect to have their undue trade receivables from the Group factored by the factoring companies. Upon the Group's approval, the suppliers will sign an accounts receivables transfer agreements with the factoring companies, whereby their corresponding accounts receivables transfer from the Group to the factoring companies. The factoring companies will pay the suppliers directly for the factored receivables. The Group will subsequently make payments to the factoring companies to settle the factored accounts receivables.

From the perspective of the Group, the supplier finance arrangements effect a non-cash movement of the reclassification from payables to suppliers to payables to the factoring companies. As at 31 December 2024, under these supplier finance arrangements, factoring financing funds amounting to RMB6,600,000 has been paid to the Group's suppliers.

As at 31 December 2021, 2022, 2023 and 2024, the Group's certain bills payables were secured by the pledged deposits amounting to RMB1,020,347,000, RMB996,650,000, RMB472,305,000 and RMB953,254,000, respectively.

**The Company**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 914,041 | 2,475,434 | 3,358,969 | 3,802,183 |
| 1 to 2 years | – | 386 | 175 | 1,366 |
| Total | 914,041 | 2,475,820 | 3,359,144 | 3,803,549 |

As at 31 December 2021, 2022, 2023 and 2024, the Company's certain bills payables were secured by the pledged deposits amounting to RMB450,767,000, RMB724,719,000, RMB457,906,000 and RMB923,434,000, respectively.

## 26. OTHER PAYABLES AND ACCRUALS

### The Group

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Payables for purchase of property, plant and equipment | 278,731 | 959,468 | 1,305,086 | 1,160,950 |
| Payroll and welfare payable | 28,527 | 38,546 | 49,448 | 63,117 |
| Accrued listing expenses | – | – | – | 11,569 |
| Accrued expenses | 24,185 | 40,317 | 67,521 | 45,251 |
| Other tax payables | 5,562 | 42,755 | 38,688 | 10,409 |
| Other payables | 5,344 | 30,713 | 33,541 | 27,985 |
| Acquisition consideration payable for a joint venture *(note 16 and note 37(b))* | – | – | 346,000 | – |
| Due to related parties | – | 368,657 | 105,239 | 108,567 |
| Total | 342,349 | 1,480,456 | 1,945,523 | 1,427,848 |

### The Company

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Payables for purchase of property, plant and equipment | 221,419 | 942,660 | 1,287,718 | 1,151,812 |
| Payroll and welfare payable | 11,854 | 23,695 | 40,714 | 55,874 |
| Accrued listing expenses | – | – | – | 11,569 |
| Accrued expenses | 4,071 | 38,744 | 65,809 | 44,458 |
| Other tax payables | 3,148 | 32,414 | 12,980 | 7,954 |
| Other payables | 1,649 | 15,394 | 27,146 | 23,490 |
| Due to subsidiaries | – | – | 332,143 | 263,613 |
| Due to related parties | – | 348,332 | 85,219 | 88,567 |
| Acquisition consideration payable for a joint venture *(note 16 and note 37(b))* | – | – | 346,000 | – |
| Total | 242,141 | 1,401,239 | 2,197,729 | 1,647,337 |

Other payables are non-interest-bearing, unsecured and have no fixed terms of settlement.

## 27. CONTRACT LIABILITIES

### The Group

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Contract liabilities | 40,855 | 145,385 | 44,662 | 14,756 |

**The Company**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Contract liabilities | 6,168 | 223,420 | 44,644 | 13,461 |

Contract liabilities represented advances received to deliver products. The increase in contract liabilities in the year 2022 was mainly due to the increase in several large short-term advances received from customers in relation to the sales of products at the end of the period. The decrease in contract liabilities from 2022 to 2024 was mainly due to the fulfillment of the performance obligations of delivering goods.

## 28. INTEREST-BEARING BANK AND OTHER BORROWINGS

**The Group**

| | As at 31 December 2021 | | |
|---|---|---|---|
| | *Effective interest rate* | *Maturity* | *RMB'000* |
| **Current** | | | |
| Bank borrowings – secured | 4.00%-4.35% | 2022 | 69,082 |
| Other borrowings – unsecured | 5.35% | 2022 | 1,090,582 |
| Total | | | 1,159,664 |

| | As at 31 December 2022 | | |
|---|---|---|---|
| | *Effective interest rate* | *Maturity* | *RMB'000* |
| **Current** | | | |
| Bank borrowings – secured | 2.50%-3.45% | 2023 | 426,369 |
| Bank borrowings – unsecured | 3.30%-3.50% | 2023 | 150,135 |
| Current portion of long-term bank borrowings – secured | 4.10% | 2023 | 2,630 |
| Total – current | | | 579,134 |
| **Non-current** | | | |
| Bank borrowings – secured | 4.10% | 2025-2027 | 2,310,258 |
| Total | | | 2,889,392 |

| | As at 31 December 2023 | | |
|---|---|---|---|
| | *Effective interest rate* | *Maturity* | *RMB'000* |
| **Current** | | | |
| Bank borrowings – secured | 3.30% | 2024 | 251,253 |
| Bank borrowings – unsecured | 3.00%-3.20% | 2024 | 350,330 |
| Other borrowings from discounting bills receivables *(note (a))* | 1.65% | 2024 | 89,103 |
| Current portion of long-term bank borrowings – secured | 4.00% | 2024 | 3,451 |
| Total – current | | | 694,137 |
| **Non-current** | | | |
| Bank borrowings – secured | 4.00% | 2025-2028 | 2,841,494 |
| Total | | | 3,535,631 |

| | As at 31 December 2024 | | |
|---|---|---|---|
| | *Effective interest rate* | *Maturity* | *RMB'000* |
| **Current** | | | |
| Bank borrowings – unsecured | 2.80%-2.85% | 2025 | 600,560 |
| Other borrowings from discounting bills receivables *(note (a))* | 0.77%-1.10% | 2025 | 141,892 |
| Current portion of long-term bank borrowings – secured | 3.25%-3.50% | 2025 | 503,373 |
| Total – current | | | 1,245,825 |
| **Non-current** | | | |
| Bank borrowings – secured | 3.25%-3.65% | 2026-2028 | 2,768,659 |
| Total | | | 4,014,484 |

(a) As at 31 December 2023 and 2024, the Group discounted certain bills receivables accepted by certain banks in Mainland China with carrying amounts in aggregate of RMB89,819,000 and RMB142,124,000, respectively.

**The Company**

| | As at 31 December 2022 | | |
|---|---|---|---|
| | *Effective interest rate* | *Maturity* | *RMB'000* |
| **Current** | | | |
| Bank borrowings – secured | 2.50%-3.45% | 2023 | 426,369 |
| Bank borrowings – unsecured | 3.30%-3.50% | 2023 | 150,135 |
| Current portion of long-term bank borrowings – secured | 4.10% | 2023 | 2,630 |
| Total – current | | | 579,134 |
| **Non-current** | | | |
| Bank borrowings – secured | 4.10% | 2025-2027 | 2,310,258 |
| Total | | | 2,889,392 |

| | As at 31 December 2023 | | |
|---|---|---|---|
| | *Effective interest rate* | *Maturity* | *RMB'000* |
| **Current** | | | |
| Bank borrowings – secured | 3.30% | 2024 | 251,253 |
| Bank borrowings – unsecured | 3.00%-3.20% | 2024 | 350,330 |
| Other borrowings from discounting bills receivables *(note (a))* | 1.65% | 2024 | 89,103 |
| Current portion of long-term bank borrowings – secured | 4.00% | 2024 | 3,451 |
| Total – current | | | 694,137 |
| **Non-current** | | | |
| Bank borrowings – secured | 4.00% | 2025-2028 | 2,841,494 |
| Total | | | 3,535,631 |

| | As at 31 December 2024 | | |
|---|---|---|---|
| | *Effective interest rate* | *Maturity* | *RMB'000* |
| **Current** | | | |
| Bank borrowings – unsecured | 2.80%-2.85% | 2025 | 600,560 |
| Other borrowings from discounting bills receivables *(note (a))* | 0.85%-1.10% | 2025 | 129,327 |
| Current portion of long-term bank borrowings – secured | 3.25%-3.50% | 2025 | 503,373 |
| Total – current | | | 1,233,260 |
| **Non-current** | | | |
| Bank borrowings – secured | 3.25%-3.65% | 2026-2028 | 2,768,659 |
| Total | | | 4,001,919 |

(a) As at 31 December 2023 and 2024, the Company discounted certain bills receivables accepted by certain banks in Mainland China with carrying amounts in aggregate of RMB89,819,000 and RMB129,559,000, respectively.

**The Group**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Analysed into: | | | | |
| Bank borrowings repayable: | | | | |
| Within one year | 69,082 | 579,134 | 694,137 | 1,245,825 |
| In the second year | – | – | 500,000 | 1,000,000 |
| In the third to fifth years, inclusive | – | 2,310,258 | 2,341,494 | 1,768,659 |
| Subtotal | 69,082 | 2,889,392 | 3,535,631 | 4,014,484 |
| Other borrowings repayable: | | | | |
| Within one year | 1,090,582 | – | – | – |
| Total | 1,159,664 | 2,889,392 | 3,535,631 | 4,014,484 |

**The Company**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Analysed into: | | | | |
| Bank borrowings repayable: | | | | |
| Within one year | – | 579,134 | 694,137 | 1,233,260 |
| In the second year | – | – | 500,000 | 1,000,000 |
| In the third to fifth years, inclusive | – | 2,310,258 | 2,341,494 | 1,768,659 |
| Total | – | 2,889,392 | 3,535,631 | 4,001,919 |

As at 31 December 2021, certain Group's interest-bearing bank borrowings were guaranteed by Nanjing Lukou Konggang Investment Development Co., Ltd., the shareholder of the Company and other borrowings of RMB1,090,582,000 were guaranteed by the Company to Jiangsu TAFEL. As at 31 December 2022, these guarantees have been released.

As at 31 December 2022, the Group and the Company's certain interest-bearing bank borrowings were secured by the pledged deposits amounting to RMB38,700,000.

As at 31 December 2022 and 2023, the Group's and the Company's certain interest-bearing bank borrowings were secured by the right-of-use assets with aggregate carrying amounts of approximately RMB53,778,000 and RMB52,665,000, respectively, and property, plant and equipment with aggregate carrying amounts of approximately RMB650,201,000 and RMB609,502,000, respectively, and guaranteed by SINOGY VC and Changshu Zenergy Investment Co., Ltd. ("Zenergy Investment") which are shareholders of the Company, and guaranteed by Jiangsu TAFEL. As at 31 December 2024, the guarantee has been released.

As at 31 December 2024, the Group's and the Company's certain interest-bearing bank borrowings were secured by the right-of-use assets with aggregate carrying amounts of approximately RMB51,552,000 and property, plant and equipment with aggregate carrying amounts of approximately RMB3,283,944,000.

## 29. PROVISION

**The Group**

| | As at 31 December | | | |
|---|---|---|---|---|
| | **2021** | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At the beginning of the year | 17,401 | 39,020 | 100,781 | 168,788 |
| Additional provision | 25,082 | 67,327 | 74,201 | 109,170 |
| Acquisition of a subsidiary *(note 33)* | – | 1,079 | – | – |
| Amounts utilised during the year | (3,463) | (6,645) | (6,194) | (15,214) |
| At the end of the year | 39,020 | 100,781 | 168,788 | 262,744 |
| Portion classified as current liabilities | 5,086 | 12,958 | 22,809 | 35,003 |
| Non-current portion | 33,934 | 87,823 | 145,979 | 227,741 |

**The Company**

| | As at 31 December | | | |
|---|---|---|---|---|
| | **2021** | **2022** | **2023** | **2024** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At the beginning of the year | – | 579 | 100,174 | 168,181 |
| Transferred from Reorganisation* | – | 48,015 | – | – |
| Additional provision | 579 | 57,753 | 74,201 | 109,170 |
| Amounts utilised during the year | – | (6,173) | (6,194) | (15,214) |
| At the end of the year | 579 | 100,174 | 168,181 | 262,137 |
| Portion classified as current liabilities | 72 | 12,958 | 22,809 | 35,003 |
| Non-current portion | 507 | 87,216 | 145,372 | 227,134 |

* Further details of the Reorganisation are given in note 32 to the Historical Financial Information.

## 30. SHARE CAPITAL/PAID-IN CAPITAL

**The Group and the Company**

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Issued and fully paid: | | | | |
| Share capital/Paid-in capital | 1,552,495 | 1,881,850 | 2,255,935 | 2,386,976 |

A summary of movements in the Company's share capital/paid-in capital is as follows:

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At the beginning of the year | 1,552,495 | 1,552,495 | 1,881,850 | 2,255,935 |
| Shareholders' capital contribution | – | 329,355 | 5,144 | 131,041 |
| Issuance of shares for acquisition of a joint venture | – | – | 368,941 | – |
| At the end of the year | 1,552,495 | 1,881,850 | 2,255,935 | 2,386,976 |

In June 2022, the registered capital of the Company was increased to RMB1,572,495,000, with the additional registered capital of RMB20,000,000 subscribed by the Company's employee shareholding platform which was reserved for employee incentive purpose. The total proceeds of RMB14,856,000 and RMB5,144,000 were received in 2022 and 2023, respectively, which were fully recognised in paid-in capital.

In July 2022, the Company issued 314,499,001 paid-in capital with a nominal value of RMB1.00 each to 11 investors (collectively, the "Series A Investors") with a cash consideration of an aggregate amount of RMB2,400,000,000. The total proceeds were received in 2022, with approximately RMB314,499,001 and RMB2,085,500,999 credited to the Company's share capital and share premium, respectively.

In November 2023, the Company issued and exchanged 368,941,151 paid-in capital to acquire a 50% equity interest in STAES. Further details are given in note 16 to the Historical Financial Information.

In July 2024, the Company issued 131,041,251 share capital with a value of RMB7.63 each to 5 investors (collectively, the "Series B Investors") with a cash consideration of an aggregate amount of RMB1,000,000,000. The total proceeds were received in 2024, with approximately RMB131,041,251 and RMB868,958,749 credited to the Company's share capital and share premium, respectively.

## 31. SHARE-BASED PAYMENTS

Expenses arising from equity-settled share-based payment transactions were as follows:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Share Option Plan (a) | 22,611 | 6,772 | 13,201 | 21,908 |
| Share Incentive Plan (b) | – | 28,266 | 30,733 | 36,967 |
| Total | 22,611 | 35,038 | 43,934 | 58,875 |

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Cost of sales | 3,156 | 1,837 | 1,612 | 1,688 |
| Selling and marketing expenses | 3,464 | 2,757 | 3,334 | 3,463 |
| Administrative expenses | 7,795 | 16,497 | 25,346 | 36,654 |
| Research and development expenses | 8,196 | 13,947 | 13,642 | 17,070 |
| Total | 22,611 | 35,038 | 43,934 | 58,875 |

**(a) Share Option Plan**

To improve the incentive mechanism of the Group, further enhance the work enthusiasm and creativity of the participants thereto, promote the continued growth of the performance of the Group, and bring economic benefits to the participants while enhancing the value of the Group, so as to realize the common development of the participants and the Group, on 15 April 2018, a share incentive scheme (the "Share Option Plan"), which was then supplemented in 2023, upon the Reorganisation, was approved by the Shareholders. There is no overall change or no incremental fair value identified in accordance with the supplement Option Plan. Employees will become limited partners according to the number of options granted under the Share Option Plan ("Share Awards") and indirectly hold the shares underlying the options by virtue of their capacity as partners of the relevant Equity Incentive Platform.

Pursuant to the Share Option Plan, each grant of Share Awards needs to meet service requirements from the date of grant to the later of (1) the date of successful IPO of the Company (the "Lock-up Period") and (2) the "Service Period", for most eligible participants of the Share Option Plan, one-third of the Share Awards shall be released on the date of grant, one-third shall be released at the first anniversary of the date of grant, and the remaining one-third shall be released at the second anniversary of the date of grant, upon meeting certain individual performance targets. Once the Service Period meets, the share options exercised to restricted shares which also require to meet the Lock-up Period. After taking into consideration of the best estimation of the IPO, the management determined the vesting period of the relevant Share Awards based on the above service requirements. As such, the share-based payment expenses are amortized during the vesting period.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these Share Awards. The Group accounts for the Scheme as an equity-settled plan.

Share Awards do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Movements in the number of Share Awards granted and their exercise prices are as below:

| | Year ended 31 December 2021 | |
|---|---|---|
| | Exercise price | Number of Share Awards* |
| | | *'000* |
| At the beginning of the year | RMB0.00-RMB1.44 | 48,604 |
| Granted | RMB1.12-RMB4.20 | 3,020 |
| Forfeited | RMB0.00-RMB1.00 | (7,806) |
| Cancelled | RMB0.00-RMB1.44 | (5,339) |
| At the end of the year | RMB1.00-RMB4.20 | 38,479 |

| | Year ended 31 December 2022 | |
|---|---|---|
| | Exercise price | Number of Share Awards* |
| | | *'000* |
| At the beginning of the year | RMB1.00-RMB4.20 | 38,479 |
| Granted | RMB1.10-RMB1.64 | 1,168 |
| Forfeited | RMB1.00-RMB1.44 | (4,693) |
| At the end of the year | RMB1.00-RMB4.20 | 34,954 |

| | Year ended 31 December 2023 | |
|---|---|---|
| | Exercise price | Number of Share Awards* |
| | | '000 |
| At the beginning of the year | RMB1.00-RMB4.20 | 34,954 |
| Granted | RMB1.15-RMB4.05 | 2,959 |
| Forfeited | RMB1.00-RMB1.44 | (2,959) |
| At the end of the year | RMB1.00-RMB4.20 | 34,954 |

| | Year ended 31 December 2024 | |
|---|---|---|
| | Exercise price | Number of Share Awards* |
| | | '000 |
| At the beginning of the year | RMB1.00-RMB4.20 | 34,954 |
| Granted | RMB1.15-RMB4.05 | 1,823 |
| Forfeited | RMB1.00-RMB1.44 | (1,823) |
| At the end of the year | RMB1.00-RMB4.20 | 34,954 |

During the year ended 31 December 2021, 5,338,847 granted options under the Share Option Plan were cancelled which was approved by the shareholders and recognised RMB8,333,000 share-based payment expenses.

* Number of Share Awards is the number of options or restricted shares granted under the Share Option Plan on relevant Equity Incentive Platform.

The fair value of share options granted was estimated as at the date of grant, using Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

| | |
|---|---|
| Dividend yield (%) | 0.00 |
| Expected volatility (%) | 37.00-54.82 |
| Risk-free interest rate (%) | 1.39-3.25 |
| Weighted average share price (RMB per share) | 1.77-7.63 |

The directors estimated the risk-free interest rate based on the yield of national debts with a maturity life close to the option life of the share option. Volatility was estimated at granted date based on average historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Dividend yield is based on management estimation at the grant date.

**(b) Share Incentive Plan**

On 24 February 2022, a share incentive scheme (the "Share Incentive Plan"), which was then supplemented in 2023, was approved by the shareholders. The maximum number of shares that may be issued by all awards under the Share Incentive Plan shall be 26,000,000 shares. Pursuant to the Share Incentive Plan, 20,322,700 shares and 7,513,187 shares and 3,820,000 shares of the Company were granted to eligible participants, including directors, senior management and backbone employees, through the incentive platforms of the Share Incentive Plan on 1 March 2022 and 25 August 2023 and 23 July 2024, respectively, in the form of restricted shares at the subscription price of RMB1.00 per share and RMB3.67 per share.

The grant date fair value of the shares of the Share Incentive Plan Schemes was RMB7.63 per share, which was determined by a third-party valuer based on investors' recent capital injection price. The difference between the fair value of the shares granted and the subscription price was recorded in the share-based payment reserve within equity with the corresponding "share-based payment expenses" in profit or loss.

Each grant of shares needs to meet service requirements, certain shares will be vested at the date of successful listing and certain shares will be vested to the later of (1) the date of successful IPO of the Company and (2) locked for three-year period from the date of the grant. After taking into consideration of the best estimation of the IPO, the management determined the vesting period of the relevant shares based on the above service requirements. As such, the share-based payment expenses are amortized during the vesting period.

Movements in the number of shares granted and the respective grant date fair value were as follows:

| | | Year ended 31 December | | |
|---|---|---|---|---|
| | | 2022 | 2023 | 2024 |
| | Grant date fair value | Number of shares | Number of shares | Number of shares |
| | | '000 | '000 | '000 |
| At the beginning of the year | 3.96-6.63 | – | 16,335 | 21,564 |
| Granted | 3.96-6.63 | 20,322 | 7,513 | 3,820 |
| Forfeited | 3.96-6.63 | (3,987) | (2,284) | (2,304) |
| At the end of the year | 3.96-6.63 | 16,335 | 21,564 | 23,080 |

## 32. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Historical Financial Information.

### *(i) Share premium*

The share premium of the Group represents the premium in issuing capitals.

### *(ii) Merger reserve*

The merger reserve of the Group represents the reserve arising pursuant to the Reorganisation of the Group completed in 2022.

For the purpose of business integration, on 28 February 2022, the Group acquired businesses of Jiangsu TAFEL and its subsidiaries now comprising the Group were under the common control of the controlling shareholder before and after the Reorganisation. The Group acquired certain assets including properties, plant and equipment, other intangible assets and inventories held by Jiangsu TAFEL and its subsidiaries for an aggregate cash consideration of RMB1,854,781,500. Upon the Reorganisation, the Group undertook the business, aforementioned assets, provision for warranty claims, and the personnel of Jiangsu TAFEL and its subsidiaries, while all liabilities except for provision for warranty claims were inherited by Jiangsu TAFEL.

### *(iii) Share-based payment reserve*

The share-based payment reserve represents the equity-settled share awards as set out in note 31 to the Historical Financial Information.

### *(iv) Special reserve*

According to relevant PRC regulations, transfer of production and maintenance funds at fixed rates based on relevant bases to a specific reserve account is required. The amounts are generally expenses in nature and charged to profit or loss as incurred, and at the same time, the corresponding amounts of safety reserve fund were utilized and transferred back to retained profits until such special reserve was fully utilised.

## 33. BUSINESS COMBINATION

### Acquisition of Suzhou ZENIO

On 25 February 2022, the Group acquired 100% of the voting shares of Suzhou ZENIO, a non-listed company based in Mainland China specialising in the manufacture of battery and related components, at a cash consideration of RMB306,920,000.

The fair values of the identifiable assets and liabilities of Suzhou ZENIO as at the date of acquisition were:

| | Notes | Fair value recognised on acquisition |
|---|---|---|
| | | RMB'000 |
| Assets | | |
| Investment in a joint venture | | 63,614 |
| Property, plant and equipment | 13 | 76,646 |
| Right-of-use assets | 14 | 12,658 |
| Other intangible assets | 15 | 13,658 |
| Cash and cash equivalents | | 67,381 |
| Trade and bills receivables | | 17,276 |
| Prepayments, other receivables and other assets | | 302,481 |
| Inventories | | 5,403 |
| Liabilities | | |
| Interest-bearing bank and other borrowings | | (140,116) |
| Trade and bills payables | | (5,621) |
| Contract liabilities | | (789) |
| Other payables and accruals | | (58,859) |
| Lease liabilities | 14 | (13,447) |
| Provision | 29 | (1,079) |
| Deferred tax liabilities | 18 | (33,563) |
| Total identifiable net assets at fair value | | 305,643 |
| Goodwill arising on acquisition | | 1,277 |
| Purchase consideration transferred | | 306,920 |

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

| | RMB'000 |
|---|---|
| Cash consideration | (306,920) |
| Cash and cash equivalents acquired | 67,381 |
| Net outflow of cash and cash equivalents | (239,539) |

The fair values of the trade and bills receivables, prepayments, other receivables and other assets as at the date of acquisition amounted to RMB319,757,000. The gross amount of trade and bills receivables, prepayments, other receivables and other assets is RMB334,453,000 and it is expected that the full contractual amounts can be collected.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

The goodwill recognised is primarily attributed to the expected business synergies arising from the acquisition, which is not separately recognised. The goodwill recognised is not expected to be deductible for income tax purposes.

From the date of acquisition, Suzhou ZENIO contributed RMB124,687,000 of revenue and RMB13,719,000 of loss before tax to the Group. If the combination had taken place at the beginning of the year, revenue would have been RMB3,297,384,000 and loss before tax for the Group would have been RMB1,722,243,000.

## 34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

During the years ended 31 December 2021 and 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB312,264,000 and RMB44,113,000 respectively, in respect of lease arrangements for plant and equipment.

### (b) Changes in liabilities arising from financing activities

| | Interest-bearing bank and other borrowings | Lease liabilities | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2021 | 1,404,731 | 70,976 | 1,475,707 |
| Changes from financing cash flows | (310,645) | (40,854) | (351,499) |
| New leases | – | 312,264 | 312,264 |
| Interest expense | 65,578 | 6,170 | 71,748 |
| At 31 December 2021 | 1,159,664 | 348,556 | 1,508,220 |
| Changes from financing cash flows | 2,473,568 | (56,017) | 2,417,551 |
| Reorganisation | (948,815) | – | (948,815) |
| Acquisition of a subsidiary *(note 33)* | 140,116 | 13,447 | 153,563 |
| New leases | – | 44,113 | 44,113 |
| Interest expense | 64,859 | 13,292 | 78,151 |
| Remeasurement of lease payments | – | (121,808) | (121,808) |
| At 31 December 2022 | 2,889,392 | 241,583 | 3,130,975 |
| Changes from financing cash flows | 511,764 | (44,580) | 467,184 |
| Interest expense | 134,475 | 11,089 | 145,564 |
| Remeasurement of lease payments | – | (5,302) | (5,302) |
| At 31 December 2023 | 3,535,631 | 202,790 | 3,738,421 |
| Changes from financing cash flows | 342,360 | (37,877) | 304,483 |
| New leases | – | 1,921 | 1,921 |
| Interest expense | 136,493 | 9,597 | 146,090 |
| At 31 December 2024 | 4,014,484 | 176,431 | 4,190,915 |

### (c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Within operating activities | 7,448 | 25,534 | 12,611 | 13,299 |
| Within financing activities | 40,854 | 56,017 | 44,580 | 37,877 |
| Total | 48,302 | 81,551 | 57,191 | 51,176 |

## 35. COMMITMENTS

The Group had the following capital commitments at the end of the reporting year:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Property, plant and equipment | 1,661,603 | 1,163,135 | 514,662 | 109,225 |

## 36. PLEDGE OF ASSETS

Details of the assets pledged for the Group's interest-bearing bank and other borrowings and issuance of bank acceptance bills are included in notes 24, 25 and 28 to the Historical Financial Information.

## 37. RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties:

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **A joint venture of the shareholder of the Company:** | | | | |
| Sales of goods | | | | |
| Suzhou ZENIO | 1,786 | 675 | – | – |
| **A subsidiary of a joint venture of the shareholder of the Company:** | | | | |
| Purchase of goods | | | | |
| Suzhou Zenlead Energy Storage Technologies Co., Ltd. | 21,838 | – | – | – |
| **A fellow subsidiary:** | | | | |
| Sales of goods | | | | |
| Jiangsu TAFEL | – | 5,346 | – | 3 |
| Purchase of goods | | | | |
| Jiangsu TAFEL | – | 74,368 | – | – |
| Reception of rental services | | | | |
| Shanghai Zhaoyuan Technology Co., Ltd. | 5,045 | – | – | 191 |
| **Shareholders:** | | | | |
| Reception of rental services | | | | |
| Nanjing Lukou Konggang Investment Development Co., Ltd. | 2,270 | 2,480 | 1,810 | 945 |
| Interest charge for other borrowings | | | | |
| Ningbo Meishan Bonded Port Xingsi Shenglian Investment Partnership Enterprise (Limited Partnership) | 5,000 | – | – | – |
| Nanjing Lukou Konggang Investment Development Co., Ltd. | 53,500 | 8,233 | – | – |
| Total | 58,500 | 8,233 | – | – |

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **A joint venture:** | | | | |
| Sales of goods | | | | |
| Jiangsu Aiev New Energy Technologies Co., Ltd. | – | 2,939 | – | – |
| Reception of rental services | | | | |
| Jiangsu Aiev New Energy Technologies Co., Ltd. | – | 1,772 | 1,148 | 3,918 |
| Reception of labor dispatch services | | | | |
| Jiangsu Aiev New Energy Technologies Co., Ltd. | – | – | 115 | 160 |

**(b) Outstanding balances with related parties:**

***The Group***

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Trade related** | | | | |
| **A joint venture of the shareholder of the Company:** | | | | |
| Trade and bills receivables | | | | |
| Suzhou ZENIO | 254 | – | – | – |
| Contract liabilities | | | | |
| Suzhou ZENIO | 764 | – | – | – |
| **A subsidiary of a joint venture of a shareholder of the Company:** | | | | |
| Trade and bills payables | | | | |
| Suzhou Zenlead Energy Storage Technologies Co., Ltd. | 13,759 | – | – | – |
| **A joint venture:** | | | | |
| Trade and bills receivables | | | | |
| Jiangsu Aiev New Energy Technologies Co., Ltd | – | 1,287 | – | – |
| **Non-trade related** | | | | |
| **A fellow subsidiary:** | | | | |
| Other payables and accruals | | | | |
| Jiangsu TAFEL | – | 348,332 | 85,219 | 88,567 |
| **Shareholders:** | | | | |
| Consideration payable for acquisition of STAES | | | | |
| SINOGY VC | – | – | 346,000 | – |
| Other borrowings | | | | |
| Nanjing Lukou Konggang Investment Development Co., Ltd. | 1,090,582 | – | – | – |

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Other payables and accruals | | | | |
| Nanjing Lukou Konggang Investment Development Co., Ltd. | – | – | – | – |
| **A joint venture:** | | | | |
| Other payables and accruals | | | | |
| Jiangsu Aiev New Energy Technologies Co., Ltd. | – | 20,325 | 20,020 | 20,000 |

Details of the Group's borrowings from the Company's shareholder as at 31 December 2021 are included in note 28.

Except the abovementioned borrowings, as at 31 December 2021, 2022, 2023 and 2024, all the remaining balances due from or due to related parties were non-interest-bearing, unsecured and had no fixed terms of settlement.

***The Company***

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Trade related** | | | | |
| **A fellow subsidiary:** | | | | |
| Trade and bills receivables | | | | |
| Jiangsu TAFEL | 429,212 | – | – | – |
| **A joint venture of the shareholder of the Company:** | | | | |
| Trade and bills receivables | | | | |
| Suzhou ZENIO | 254 | – | – | – |
| **A subsidiary of a joint venture of a shareholder of the Company:** | | | | |
| Trade and bills payables | | | | |
| Suzhou Zenlead Energy Storage Technologies Co., Ltd. | 13,275 | – | – | – |
| **Subsidiaries:** | | | | |
| Trade and bills receivables | | | | |
| Suzhou ZENIO | – | – | – | 7,350 |
| Nanjing Zenergy Battery Technologies Co., Ltd. | – | 20,000 | – | 22,470 |
| Total | – | 20,000 | – | 29,820 |
| Trade and bills payables | | | | |
| Suzhou ZENIO | – | 100,785 | 349,809 | 313,614 |
| Nanjing Zenergy Battery Technologies Co., Ltd. | – | 450,527 | 27,544 | 15,137 |
| Total | – | 551,312 | 377,353 | 328,751 |

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Prepayments, other receivables and other assets | | | | |
| Dongguan Zenergy Battery Technologies Co., Ltd. | – | 4,698 | – | – |
| Nanjing Zenergy Battery Technologies Co., Ltd. | – | 83 | – | – |
| Total | – | 4,781 | – | – |
| **Non-trade related** | | | | |
| **A shareholder:** | | | | |
| Consideration payable for acquisition of STAES SINOGY VC | – | – | 346,000 | – |
| **A fellow subsidiary:** | | | | |
| Other payables and accruals | | | | |
| Jiangsu TAFEL | – | 348,332 | 85,219 | 88,567 |
| Prepayments, other receivables and other assets | | | | |
| Jiangsu TAFEL | 123,074 | – | – | – |
| **Subsidiaries:** | | | | |
| Prepayments, other receivables and other assets | | | | |
| Jiangsu Zenergy Power Battery System Co., Ltd. | 1,000 | – | – | – |
| Dongguan Zenergy Battery Technologies Co., Ltd. | – | 131,109 | 42,000 | 42,000 |
| Nanjing Zenergy Battery Technologies Co., Ltd. | – | 16,380 | – | – |
| Suzhou ZENIO | – | – | 184 | – |
| Impairment allowance | – | (42,000) | (42,000) | (42,000) |
| Total | 1,000 | 105,489 | 184 | – |
| Other payables and accruals | | | | |
| Nanjing Zenergy Battery Technologies Co., Ltd. | – | – | 332,143 | 260,833 |
| Suzhou ZENIO | – | – | – | 2,780 |
| Total | – | – | 332,143 | 263,613 |

As at 31 December 2021, 2022, 2023 and 2024, all the remaining balances due from or due to related parties were non-interest-bearing, unsecured and had no fixed terms of settlement.

**(c) Compensation of key management personnel of the Group**

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Short term employee benefits | 6,981 | 6,571 | 8,221 | 12,486 |
| Share-based payment expenses | 296 | 2,272 | 3,927 | 10,708 |
| Pension scheme contributions | 393 | 457 | 593 | 1,028 |
| Total compensation paid to key management personnel | 7,670 | 9,300 | 12,741 | 24,222 |

Further details of directors' and supervisors' emoluments are included in note 8 to the Historical Financial Information.

## 38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

**The Group**

***As at 31 December 2021***

*Financial assets*

| | Financial assets at amortised cost |
|---|---|
| | *RMB'000* |
| Trade and bills receivables | 309,874 |
| Financial assets included in prepayments, other receivables and other assets | 25,959 |
| Pledged deposits | 1,020,347 |
| Cash and cash equivalents | 767,411 |
| Total | 2,123,591 |

*Financial liabilities*

| | Financial liabilities at amortised cost |
|---|---|
| | *RMB'000* |
| Trade and bills payables | 1,813,289 |
| Financial liabilities included in other payables and accruals | 308,260 |
| Interest-bearing bank and other borrowings | 1,159,664 |
| Total | 3,281,213 |

***As at 31 December 2022***

*Financial assets*

| | Financial assets at fair value through profit or loss | Financial assets at amortised cost | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial assets at fair value through profit or loss | 1,162,565 | – | 1,162,565 |
| Trade and bills receivables | – | 326,487 | 326,487 |
| Financial assets included in prepayments, other receivables and other assets | – | 52,310 | 52,310 |
| Pledged deposits | – | 1,035,350 | 1,035,350 |
| Cash and cash equivalents | – | 936,164 | 936,164 |
| Total | 1,162,565 | 2,350,311 | 3,512,876 |

*Financial liabilities*

| | Financial liabilities at amortised cost |
|---|---|
| | *RMB'000* |
| Trade and bills payables | 3,012,332 |
| Financial liabilities included in other payables and accruals | 1,399,155 |
| Interest-bearing bank and other borrowings | 2,889,392 |
| Total | 7,300,879 |

***As at 31 December 2023***

*Financial assets*

| | Financial assets at amortised cost |
|---|---|
| | *RMB'000* |
| Trade and bills receivables | 1,147,380 |
| Financial assets included in prepayments, other receivables and other assets | 47,175 |
| Pledged deposits | 472,305 |
| Cash and cash equivalents | 2,034,279 |
| Total | 3,701,139 |

*Financial liabilities*

| | Financial liabilities at amortised cost |
|---|---|
| | *RMB'000* |
| Trade and bills payables | 3,415,854 |
| Financial liabilities included in other payables and accruals | 1,857,387 |
| Interest-bearing bank and other borrowings | 3,535,631 |
| Total | 8,808,872 |

***As at 31 December 2024***

*Financial assets*

| | Financial assets at fair value through other comprehensive income | Financial assets at amortised cost | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and bills receivables | – | 1,623,305 | 1,623,305 |
| Bills receivables at fair value through other comprehensive income | 92,936 | – | 92,936 |
| Financial assets included in prepayments, other receivables and other assets | – | 41,656 | 41,656 |
| Pledged deposits | – | 953,254 | 953,254 |
| Time deposits with original maturity of more than three months to one year when acquired | – | 101,982 | 101,982 |
| Restricted cash from lawsuit | – | 4,550 | 4,550 |
| Cash and cash equivalents | – | 2,199,072 | 2,199,072 |
| Total | 92,936 | 4,923,819 | 5,016,755 |

*Financial liabilities*

| | Financial liabilities at amortised cost |
|---|---|
| | *RMB'000* |
| Trade and bills payables | 3,742,586 |
| Financial liabilities included in other payables and accruals | 1,354,322 |
| Interest-bearing bank and other borrowings | 4,014,484 |
| Total | 9,111,392 |

## 39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, time deposits, restricted bank balances, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals, and short-term interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments. The non-current portion of interest-bearing bank borrowings approximate to their carrying amounts mainly due to the floating interest rate.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in financial assets at fair value through profit or loss, which represent structured deposits and wealth management products issued by banks in Mainland China. The Group has estimated the fair values of these structured deposits and wealth management products based on the net values announced by the banks at the end of the Relevant Periods.

The fair values of bills receivables at fair value through other comprehensive income have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The changes in fair values as a result of the Group for bills receivables at fair value through other comprehensive income as at 31 December 2024 were assessed to be insignificant.

**Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

***Assets measured at fair value:***

*As at 31 December 2022*

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets Level 1 | Significant observable inputs Level 2 | Significant unobservable Level 3 | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial assets at fair value through profit or loss | – | 1,162,565 | – | 1,162,565 |

*As at 31 December 2024*

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets Level 1 | Significant observable inputs Level 2 | Significant unobservable Level 3 | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Bills receivables at fair value through other comprehensive income | – | 92,936 | – | 92,936 |

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

**40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments, comprise interest-bearing bank and other borrowings, and cash and deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

**Interest rate risk**

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax:

| | Increase/(decrease) in basis points | (Increase)/decrease in loss before tax |
|---|---|---|
| | | *RMB'000* |
| Year ended 31 December 2021 | | |
| RMB | 50 | – |
| RMB | (50) | – |
| Year ended 31 December 2022 | | |
| RMB | 50 | (13,250) |
| RMB | (50) | 13,250 |
| Year ended 31 December 2023 | | |
| RMB | 50 | (15,280) |
| RMB | (50) | 15,280 |
| Year ended 31 December 2024 | | |
| RMB | 50 | (16,407) |
| RMB | (50) | 16,407 |

**Credit risk**

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

***Maximum exposure and year-end staging***

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification.

*As at 31 December 2021*

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and bills receivables* | – | – | – | 388,674 | 388,674 |
| Contract assets* | – | – | – | 11,966 | 11,966 |
| Financial assets included in prepayments, other receivables and other assets | | | | | |
| – Normal** | 26,320 | – | – | – | 26,320 |
| – Doubtful** | – | – | 54,215 | – | 54,215 |
| Pledged deposits | | | | | |
| – Not yet past due | 1,020,347 | – | – | – | 1,020,347 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 767,411 | – | – | – | 767,411 |
| Total | 1,814,078 | – | 54,215 | 400,640 | 2,268,933 |

*As at 31 December 2022*

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and bills receivables* | – | – | – | 932,645 | 932,645 |
| Contract assets* | – | – | – | 2,000 | 2,000 |
| Financial assets included in prepayments, other receivables and other assets | | | | | |
| – Normal** | 53,010 | – | – | – | 53,010 |
| Pledged deposits | | | | | |
| – Not yet past due | 1,035,350 | – | – | – | 1,035,350 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 936,164 | – | – | – | 936,164 |
| Total | 2,024,524 | – | – | 934,645 | 2,959,169 |

*As at 31 December 2023*

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and bills receivables* | – | – | – | 1,764,211 | 1,764,211 |
| Contract assets* | – | – | – | 6,658 | 6,658 |
| Financial assets included in prepayments, other receivables and other assets | | | | | |
| – Normal** | 47,895 | – | – | – | 47,895 |
| Pledged deposits | | | | | |
| – Not yet past due | 472,305 | – | – | – | 472,305 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 2,034,279 | – | – | – | 2,034,279 |
| Total | 2,554,479 | – | – | 1,770,869 | 4,325,348 |

*As at 31 December 2024*

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and bills receivables* | – | – | – | 2,247,370 | 2,247,370 |
| Bills receivables at fair value through other comprehensive income* | – | – | – | 92,936 | 92,936 |
| Contract assets* | – | – | – | 5,388 | 5,388 |
| Financial assets included in prepayments, other receivables and other assets | | | | | |
| – Normal** | 42,198 | – | – | – | 42,198 |
| Pledged deposits | | | | | |
| – Not yet past due | 953,254 | – | – | – | 953,254 |
| Time deposits with original maturity of more than three months to one year when acquired | | | | | |
| – Not yet past due | 101,982 | – | – | – | 101,982 |
| Restricted cash from lawsuit | | | | | |
| – Not yet past due | 4,550 | – | – | – | 4,550 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 2,199,072 | – | – | – | 2,199,072 |
| Total | 3,301,056 | – | – | 2,345,694 | 5,646,750 |

* For trade and bills receivables and contract assets and bills receivables at fair value through other comprehensive income to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 and note 21.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

As at the end of each of the Relevant Periods, the Group had certain concentrations of credit risk as 47.0%, 86.7%, 45.3%, 32.31% and 95.8%, 99.4%, 90.8%, 87.8% of the Group's trade receivables were due from the Group's largest debtor and five largest debtors, respectively.

**Liquidity risk**

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

| | Within 1 year or on demand | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2021** | | | | |
| Interest-bearing bank and other borrowings | 1,248,140 | – | – | 1,248,140 |
| Lease liabilities | 52,562 | 240,843 | 138,096 | 431,501 |
| Trade and bills payables | 1,813,289 | – | – | 1,813,289 |
| Financial liabilities included in other payables and accruals | 308,260 | – | – | 308,260 |
| Total | 3,422,251 | 240,843 | 138,096 | 3,801,190 |

| | Within 1 year or on demand | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2022** | | | | |
| Interest-bearing bank and other borrowings | 628,728 | 2,463,672 | – | 3,092,400 |
| Lease liabilities | 45,317 | 183,898 | 62,594 | 291,809 |
| Trade and bills payables | 3,012,332 | – | – | 3,012,332 |
| Financial liabilities included in other payables and accruals | 1,399,155 | – | – | 1,399,155 |
| Total | 5,085,532 | 2,647,570 | 62,594 | 7,795,696 |

| | Within 1 year or on demand | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2023** | | | | |
| Interest-bearing bank and other borrowings | 721,799 | 3,054,555 | – | 3,776,354 |
| Lease liabilities | 38,388 | 145,001 | 62,594 | 245,983 |
| Trade and bills payables | 3,415,854 | – | – | 3,415,854 |
| Financial liabilities included in other payables and accruals | 1,857,387 | – | – | 1,857,387 |
| Total | 6,033,428 | 3,199,556 | 62,594 | 9,295,578 |

| | Within 1 year or on demand | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2024** | | | | |
| Interest-bearing bank and other borrowings | 1,352,854 | 2,896,067 | – | 4,248,921 |
| Lease liabilities | 40,563 | 136,390 | 31,758 | 208,711 |
| Trade and bills payables | 3,742,586 | – | – | 3,742,586 |
| Financial liabilities included in other payables and accruals | 1,354,322 | – | – | 1,354,322 |
| Total | 6,490,325 | 3,032,457 | 31,758 | 9,554,540 |

**Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new capitals.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes interest-bearing bank and other borrowings and lease liabilities, less cash and cash equivalents. Capital includes equity attributable to the owners of the parent. The gearing ratios as at the end of the Relevant Periods are as follows:

| | As at 31 December | | | |
|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest-bearing bank and other borrowings | 1,159,664 | 2,889,392 | 3,535,631 | 4,014,484 |
| Lease liabilities | 348,556 | 241,583 | 202,790 | 176,431 |
| Less: Cash and cash equivalents | 767,411 | 936,164 | 2,034,279 | 2,199,072 |
| Net debt | 740,809 | 2,194,811 | 1,704,142 | 1,991,843 |
| Equity attributable to owners of the parent | 1,980,555 | 2,472,564 | 4,747,233 | 5,897,122 |
| Capital and net debt | 2,721,364 | 4,667,375 | 6,451,375 | 7,888,965 |
| Gearing ratio | 27% | 47% | 26% | 25% |

## 41. EVENTS AFTER THE RELEVANT YEARS

There are no significant events subsequent to 31 December 2024.

## 42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2024.

## III SUPPLEMENTARY PRE-ACQUISITION FINANCIAL INFORMATION OF STAES

Financial information of STAES for the period from 1 January 2021 to 30 November 2023 (the date prior to the date of acquisition of STAES) (the "Pre-acquisition Period") has been prepared by the directors of STAES in accordance with the accounting policies as set out in Section II Note 2.4 above. This information is hereafter referred to as the "Financial Information of STAES".

### 1. Financial Information of STAES

***Statements of Profit or Loss and Other Comprehensive Income***

| | | Year ended 31 December | | Eleven months ended 30 November |
|---|---|---|---|---|
| | *Notes* | **2021** | **2022** | **2023** |
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| REVENUE | 3 | 6,272,826 | 6,605,747 | 5,819,676 |
| Cost of sales | | | | |
| Cost of sales of goods | | (5,487,049) | (5,679,831) | (5,037,953) |
| Impairment losses on inventories | | – | (35,148) | – |
| **Gross profit** | | 785,777 | 890,768 | 781,723 |
| Other income and gains | | 57,405 | 16,491 | 33,115 |
| Other expense | | (7,515) | (14,296) | (5,663) |
| Selling and marketing expenses | | (85,230) | (91,352) | (81,105) |
| Administrative expenses | | (21,946) | (32,110) | (24,152) |
| Finance costs | | (15,010) | (13,786) | (10,654) |
| PROFIT BEFORE TAX | 4 | 713,481 | 755,715 | 693,264 |
| Income tax expense | 5 | (179,610) | (191,056) | (174,852) |
| **PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD** | | 533,871 | 564,659 | 518,412 |

*Statements of Financial Position*

| | Notes | As at 31 December | | As at 30 November |
|---|---|---|---|---|
| | | 2021 | 2022 | 2023 |
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| **NON-CURRENT ASSETS** | | | | |
| Property, plant and equipment | *6* | 340,624 | 304,062 | 295,545 |
| Right-of-use assets | *7* | 20,449 | 19,994 | 19,568 |
| Other intangible assets | *8* | 1,266 | 1,316 | 989 |
| Deferred tax assets | | 3,039 | 6,759 | 14,175 |
| Total non-current assets | | 365,378 | 332,131 | 330,277 |
| **CURRENT ASSETS** | | | | |
| Inventories | *9* | 460,631 | 351,531 | 324,548 |
| Trade receivables | *10* | 777,782 | 583,598 | 833,293 |
| Prepayments, other receivables and other assets | *11* | 3,783 | 13,436 | 3,848 |
| Restricted cash | | 11,200 | 6,600 | 8,600 |
| Cash and cash equivalents | | 345,132 | 510,646 | 540,421 |
| Total current assets | | 1,598,528 | 1,465,811 | 1,710,710 |
| **CURRENT LIABILITIES** | | | | |
| Trade payables | *12* | 628,215 | 276,684 | 494,532 |
| Other payables and accruals | *13* | 55,123 | 47,141 | 265,778 |
| Tax payable | | 63,866 | 56,979 | 43,205 |
| Interest-bearing bank borrowings | *14* | 306,534 | 441,128 | 440,097 |
| Total current liabilities | | 1,053,738 | 821,932 | 1,243,612 |
| **NET CURRENT ASSETS** | | 544,790 | 643,879 | 467,098 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 910,168 | 976,010 | 797,375 |
| **NON-CURRENT LIABILITIES** | | | | |
| Deferred income | | 4,282 | 4,075 | 3,886 |
| Interest-bearing bank borrowings | *14* | 31,331 | 13,203 | 6,650 |
| Total non-current liabilities | | 35,613 | 17,278 | 10,536 |
| Net assets | | 874,555 | 958,732 | 786,839 |
| **EQUITY** | | | | |
| Paid-in capital | | 308,839 | 308,839 | 308,839 |
| Reserves | | 565,716 | 649,893 | 478,000 |
| **Total equity** | | 874,555 | 958,732 | 786,839 |

***Statements of Changes in Equity***

*Year ended 31 December 2021*

| | Paid-in capital | Statutory reserve* | Retained profits* | Total equity |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| As at 1 January 2021 | 308,839 | 31,844 | 286,526 | 627,209 |
| Profit for the year | – | – | 533,871 | 533,871 |
| Transfer from retained profits | – | 53,387 | (53,387) | – |
| Dividend declared | – | – | (286,525) | (286,525) |
| As at 31 December 2021 | 308,839 | 85,231 | 480,485 | 874,555 |

*Year ended 31 December 2022*

| | Paid-in capital | Statutory reserve* | Retained profits* | Total equity |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| As at 1 January 2022 | 308,839 | 85,231 | 480,485 | 874,555 |
| Profit for the year | – | – | 564,659 | 564,659 |
| Transfer from retained profits | – | 56,466 | (56,466) | – |
| Dividend declared | – | – | (480,482) | (480,482) |
| As at 31 December 2022 | 308,839 | 141,697 | 508,196 | 958,732 |

*Eleven months ended 30 November 2023*

| | Paid-in capital | Statutory reserve* | Retained profits* | Total equity |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| As at 1 January 2023 | 308,839 | 141,697 | 508,196 | 958,732 |
| Profit for the period | – | – | 518,412 | 518,412 |
| Transfer from retained profits | – | 51,841 | (51,841) | – |
| Dividend declared | – | – | (690,305) | (690,305) |
| As at 30 November 2023 | 308,839 | 193,538 | 284,462 | 786,839 |

* These reserve accounts comprise the reserves of RMB565,716,000 and RMB649,893,000 and RMB478,000,000 in the statements of financial position as at 31 December 2021 and 2022 and 30 November 2023, respectively.

***Statements of Cash Flows***

| | Notes | Year ended 31 December 2021 | Year ended 31 December 2022 | Eleven months ended 30 November 2023 |
|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Profit for the year/period: | | 533,871 | 564,659 | 518,412 |
| Adjustments for: | | | | |
| Impairment losses on inventories | | – | 35,148 | – |
| Depreciation of property, plant and equipment | *6* | 40,973 | 40,478 | 36,426 |
| Depreciation of right-of-use assets | *7* | 565 | 455 | 426 |
| Amortisation of other intangible assets | *8* | 336 | 392 | 460 |
| (Increase)/decrease in working capital | | (98,703) | (91,594) | 34,968 |
| Net cash flows from operating activities | | 477,042 | 549,538 | 590,692 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Proceeds from disposal of items of property, plant and equipment | | 5,302 | 5,839 | 2,440 |
| Purchases of items of property, plant and equipment and other intangible assets | | (39,414) | (21,123) | (34,140) |
| Net cash flows used in investing activities | | (34,112) | (15,284) | (31,700) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| New bank borrowings | | 206,000 | 190,000 | 207,000 |
| Repayment of borrowings | | (267,446) | (73,446) | (217,271) |
| Dividends paid | | (286,525) | (480,482) | (508,193) |
| Interest paid | | (14,627) | (12,590) | (11,032) |
| Net cash flows used in financing activities | | (362,598) | (376,518) | (529,496) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 80,332 | 157,736 | 29,496 |
| Cash and cash equivalents at beginning of year/period | | 266,875 | 345,132 | 510,646 |
| Effect of foreign exchange rate changes, net | | (2,075) | 7,778 | 279 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD | | 345,132 | 510,646 | 540,421 |

## 2. Material Accounting Policy Information

The Financial Information of STAES has been prepared in accordance with the accounting policies as set out in Section II Note 2.4 above.

## 3. Revenue

An analysis of revenue is as follows:

***(a) Disaggregated revenue information:***

| | Year ended 31 December | | Eleven months ended 30 November |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Types of goods** | | | |
| Sales of batteries | 6,272,826 | 6,605,747 | 5,819,676 |
| **Timing of revenue recognition** | | | |
| Goods transferred at a point in time | 6,272,826 | 6,605,747 | 5,819,676 |

***(b) Performance obligations***

Information about the STAES's performance obligations is summarised below:

*Sales of products*

The performance obligation is satisfied upon delivery of the products and payment is generally due within 30 days from delivery.

## 4. Profit Before Tax

| | Notes | Year ended 31 December 2021 | Year ended 31 December 2022 | Eleven months ended 30 November 2023 |
|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| Cost of sales of goods | | 5,487,049 | 5,679,831 | 5,037,953 |
| Depreciation of property, plant and equipment | *6* | 40,973 | 40,478 | 36,426 |
| Depreciation of right-of-use assets | *7* | 565 | 455 | 426 |
| Amortisation of other intangible assets | *8* | 336 | 392 | 460 |
| Employee benefit expense: | | | | |
| Wages and salaries | | 43,634 | 48,341 | 52,640 |
| Pension scheme contributions and social welfare | | 7,103 | 7,869 | 8,224 |
| Total | | 50,737 | 56,210 | 60,864 |
| Impairment losses on inventories | | – | 35,148 | – |
| Losses on disposal of items of property, plant and equipment | | 144 | 13,309 | 3,658 |
| Foreign exchange differences, net | | 5,591 | (9,411) | 938 |

## 5. Income Tax

STAES was subject to tax at the statutory rate of 25% on the taxable profits determined in accordance with the PRC Corporate Income Tax Law.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which STAES is domiciled to the tax expense at the effective tax rate is as follows:

| | Year ended 31 December 2021 | Year ended 31 December 2022 | Eleven months ended 30 November 2023 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Profit before tax | 713,481 | 755,715 | 693,264 |

| | Year ended 31 December | | Eleven months ended 30 November |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Tax at the statutory tax rate | 178,370 | 188,929 | 173,316 |
| Expenses not deductible for tax | 1,064 | 1,827 | 1,367 |
| Adjustments in respect of current tax of previous periods | 176 | 300 | 169 |
| Total tax expense for the year/period | 179,610 | 191,056 | 174,852 |

## 6. Property, Plant and Equipment

| | Buildings | Machinery | Office equipment and electronic devices | Construction in progress | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **31 December 2021** | | | | | |
| At 1 January 2021: | | | | | |
| Cost | 151,707 | 220,577 | 2,830 | 31,161 | 406,275 |
| Accumulated depreciation | (21,666) | (39,889) | (1,851) | – | (63,406) |
| Net carrying amount | 130,041 | 180,688 | 979 | 31,161 | 342,869 |
| At 1 January 2021, net of accumulated depreciation | 130,041 | 180,688 | 979 | 31,161 | 342,869 |
| Additions | – | 16,208 | 11 | 23,254 | 39,473 |
| Transfer | – | 53,584 | 127 | (53,711) | – |
| Disposals | – | (745) | – | – | (745) |
| Depreciation provided during the year | (6,909) | (33,706) | (358) | – | (40,973) |
| At 31 December 2021, net of accumulated depreciation | 123,132 | 216,029 | 759 | 704 | 340,624 |

| | Buildings | Machinery | Office equipment and electronic devices | Construction in progress | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 31 December 2021: | | | | | |
| Cost | 151,707 | 289,376 | 2,968 | 704 | 444,755 |
| Accumulated depreciation | (28,575) | (73,347) | (2,209) | – | (104,131) |
| Net carrying amount | 123,132 | 216,029 | 759 | 704 | 340,624 |
| **31 December 2022** | | | | | |
| At 31 December 2021 and at 1 January 2022: | | | | | |
| Cost | 151,707 | 289,376 | 2,968 | 704 | 444,755 |
| Accumulated depreciation | (28,575) | (73,347) | (2,209) | – | (104,131) |
| Net carrying amount | 123,132 | 216,029 | 759 | 704 | 340,624 |
| At 1 January 2022, net of accumulated depreciation | 123,132 | 216,029 | 759 | 704 | 340,624 |
| Additions | – | 3,432 | 204 | 19,428 | 23,064 |
| Transfer | – | 483 | 246 | (729) | – |
| Disposals | – | (19,087) | (61) | – | (19,148) |
| Depreciation provided during the year | (6,909) | (33,191) | (378) | – | (40,478) |
| At 31 December 2022, net of accumulated depreciation | 116,223 | 167,666 | 770 | 19,403 | 304,062 |
| At 31 December 2022: | | | | | |
| Cost | 151,707 | 271,819 | 3,357 | 19,403 | 446,286 |
| Accumulated depreciation | (35,484) | (104,153) | (2,587) | – | (142,224) |
| Net carrying amount | 116,223 | 167,666 | 770 | 19,403 | 304,062 |
| **30 November 2023** | | | | | |
| At 1 January 2023: | | | | | |
| Cost | 151,707 | 271,819 | 3,357 | 19,403 | 446,286 |
| Accumulated depreciation | (35,484) | (104,153) | (2,587) | – | (142,224) |
| Net carrying amount | 116,223 | 167,666 | 770 | 19,403 | 304,062 |

| | Buildings | Machinery | Office equipment and electronic devices | Construction in progress | Total |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At 1 January 2023, net of accumulated depreciation | 116,223 | 167,666 | 770 | 19,403 | 304,062 |
| Additions | – | 18,427 | 595 | 14,985 | 34,007 |
| Transfer | – | 17,478 | 23 | (17,501) | – |
| Disposals | – | (6,060) | (38) | – | (6,098) |
| Depreciation provided during the period | (6,333) | (29,751) | (342) | – | (36,426) |
| At 30 November 2023, net of accumulated depreciation | 109,890 | 167,760 | 1,008 | 16,887 | 295,545 |
| At 30 November 2023: | | | | | |
| Cost | 151,707 | 299,692 | 3,937 | 16,887 | 472,223 |
| Accumulated depreciation | (41,817) | (131,932) | (2,929) | – | (176,678) |
| Net carrying amount | 109,890 | 167,760 | 1,008 | 16,887 | 295,545 |

## 7. Right-Of-Use Assets

| | Leasehold land |
|---|---|
| | *RMB'000* |
| **31 December 2021** | |
| Cost at 1 January 2021, net of accumulated amortisation | 21,014 |
| Amortisation provided during the year | (565) |
| At 31 December 2021 | 20,449 |
| **31 December 2022** | |
| Cost at 1 January 2022, net of accumulated amortisation | 20,449 |
| Amortisation provided during the year | (455) |
| At 31 December 2022 | 19,994 |
| **30 November 2023** | |
| Cost at 1 January 2023, net of accumulated amortisation | 19,994 |
| Amortisation provided during the period | (426) |
| At 30 November 2023 | 19,568 |

## 8. Other Intangible Assets

| | Software |
|---|---|
| | *RMB'000* |
| **31 December 2021** | |
| Cost at 1 January 2021, net of accumulated amortisation | 1,541 |
| Additions | 61 |
| Amortisation provided during the year | (336) |
| At 31 December 2021 | 1,266 |

| | Software |
|---|---|
| | *RMB'000* |
| **31 December 2022** | |
| Cost at 1 January 2022, net of accumulated amortisation | 1,266 |
| Additions | 442 |
| Amortisation provided during the year | (392) |
| At 31 December 2022 | 1,316 |

| | Software |
|---|---|
| | *RMB'000* |
| **30 November 2023** | |
| Cost at 1 January 2023, net of accumulated amortisation | 1,316 |
| Additions | 133 |
| Amortisation provided during the period | (460) |
| At 30 November 2023 | 989 |

## 9. Inventories

| | As at 31 December | | As at 30 November |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Raw materials | 143,019 | 114,402 | 141,020 |
| Work in progress | 3,567 | 1,626 | 1,501 |
| Finished goods | 314,045 | 235,503 | 182,027 |
| Total | 460,631 | 351,531 | 324,548 |

Inventories are stated at the lower of cost and net realisable value. STAES assessed the net realisable value of the inventories at the end of each reporting period. During the year ended 31 December 2022, STAES recognised impairment losses on inventories of RMB35,148,000 and then wrote off such inventory provision in the same year attributable to the sales of finished goods.

## 10. Trade Receivables

| | As at 31 December | | As at 30 November |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | 777,782 | 583,598 | 833,293 |

Trade receivables are non-interest-bearing. The expected credit loss was assessed to be minimal as the major customers of STAES were highly reputable.

An ageing analysis of the trade receivables as at 31 December 2021 and 2022 and 30 November 2023, based on recognition date, is as follows:

| | As at 31 December | | As at 30 November |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 3 months | 777,782 | 546,296 | 832,866 |
| 3 to 6 months | – | 37,297 | 318 |
| 6 months to 1 year | – | 5 | 109 |
| Total | 777,782 | 583,598 | 833,293 |

## 11. Prepayments, Other Receivables and Other Assets

| | As at 31 December | | As at 30 November |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Prepayments | 389 | 11,950 | 3,065 |
| Other receivables | 1,574 | 1,486 | 783 |
| Other current assets | 1,820 | – | – |
| Total | 3,783 | 13,436 | 3,848 |

## 12. Trade Payables

| | As at 31 December | | As at 30 November |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade payables | | | |
| – related parties | 422,312 | 222,332 | 288,507 |
| – third parties | 205,903 | 54,352 | 206,025 |
| Total | 628,215 | 276,684 | 494,532 |

## 13. Other Payables and Accruals

| | As at 31 December | | As at 30 November |
|---|---|---|---|
| | 2021 | 2022 | 2023 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Payroll and welfare payable | 4,517 | 5,171 | 6,480 |
| Other payables | 32,657 | 21,557 | 54,091 |
| Dividends payable | – | – | 182,112 |
| Other tax payable | 17,949 | 20,413 | 23,095 |
| Total | 55,123 | 47,141 | 265,778 |

## 14. Interest-Bearing Bank Borrowings

| | As at 31 December 2021 | | | As at 31 December 2022 | | | As at 30 November 2023 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total | Current | Non-current | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Unsecured bank borrowings | 306,534 | 31,331 | 337,865 | 441,128 | 13,203 | 454,331 | 440,097 | 6,650 | 446,747 |

## 15. Dividends

Pursuant to the resolutions of the board of directors, STAES declared dividends in the amount of RMB286,525,000, RMB480,482,000 and RMB508,193,000 for the years ended 31 December 2020 and 2021 and 2022, respectively, which were fully paid before the acquisition.

Pursuant to the resolutions of the board of directors in 2023, STAES declared dividends in the amount of RMB182,112,000 for the six months ended 30 June 2023, which was fully paid in May 2024.

*The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.*

## A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company has been prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to owners of the Company as at 31 December 2024 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets attributable to owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 December 2024 or any future dates following the Global Offering.

| | Consolidated net tangible assets attributable to owners of the Company as at 31 December 2024 | Estimated net proceeds from the Global Offering | Unaudited pro forma adjusted consolidated net tangible assets | Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share | |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB* | *HK$* |
| | *(Note 1)* | *(Note 2)* | | *(Note 3)* | *(Note 4)* |
| Based on an Offer Price of HK$8.27 per Share . . . . . . . . | 5,472,766 | 885,193 | 6,357,959 | 2.53 | 2.75 |

*Notes:*

(1) The consolidated net tangible assets attributable to owners of the Company as at 31 December 2024 is arrived at after deducting other intangible asset of RMB423,079,000 and goodwill of RMB1,277,000 from the consolidated equity attributable to owners of the Company of RMB5,897,122,000 as at 31 December 2024, as shown in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$8.27 per Share, after deduction of the underwriting fees and other related expenses payable by the Company (excluding the listing expenses that have been charged to profit or loss during the Track Record Period) and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of RMB0.9229 to HK$1.00.

(3) The unaudited pro forma adjusted net tangible assets per Share is calculated based on 2,508,500,103 Shares in issue immediately following the completion of the Global Offering without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB0.9229 to HK$1.00.

(5) No adjustment has been made to reflect any trading result or open transaction of the Group entered subsequent to 31 December 2024.

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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

To the Directors of Jiangsu Zenergy Battery Technologies Group Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Jiangsu Zenergy Battery Technologies Group Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2024 and related notes as set out on pages II-1 and II-2 of the prospectus dated 3 April 2025 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Part A of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 December 2024 as if the transaction had taken place at 31 December 2024. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 31 December 2024, on which an accountants' report has been published.

**Directors' responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our independence and quality management**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting accountants' responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

*Certified Public Accountants*
Hong Kong

3 April 2025

This Appendix is mainly providing investors with an overview on the Articles of Association of our Company. The following information is only a summary, not covering all the information that may be material to investors.

## SHARES AND REGISTERED CAPITAL

The issuance of the shares of our Company shall be conducted in the principle of fairness and justness, and each share of the same class shall be entitled to equal rights. For shares issued at the same time and within the same class, it shall be issued in the same conditions and price; and subscribers shall pay the same price for each share they subscribe. The domestic unlisted shares issued by our Company shall be deposited at a domestic securities depository and settlement agency. The overseas listed shares issued by our Company may be deposited in accordance with applicable laws of Hong Kong and the general practice of securities registration and depository.

## INCREASE/DECREASE, REPURCHASE AND TRANSFER OF SHARES

### Increase/Decrease of Shares

According to the needs for operation and development of our Company, and subject to applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules, and requirements by relevant regulatory authorities upon respective resolution by a Shareholders' meeting, our Company may increase its registered capital by any of the following means:

(1) public offering of shares;

(2) non-public offering of shares;

(3) distribution of bonus shares to existing Shareholders;

(4) converting the reserved funds into share capital;

(5) other means stipulated by applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules or approved by or filed with the relevant regulatory authorities.

To reduce its registered capital, our Company shall proceed it in compliance with the PRC Company Law, Listing Rules, other relevant applicable laws, administrative regulations, departmental rules, normative documents and the Articles of Association.

**Repurchase of Shares**

In any of the following circumstances, our Company may repurchase its issued shares in accordance with the PRC Company Law, Listing Rules, other relevant applicable laws, administrative regulations, departmental rules, normative documents and the Articles of Association and subject to the registration or filing with the relevant regulatory authorities:

(1) reducing the registered capital of our Company;

(2) merging with another company holding shares of our Company;

(3) using shares for stock incentive plans and employee stock plans;

(4) acquiring the shares of Shareholders who vote against any resolution adopted at the Shareholders' meeting on the merger or demerger of our Company and request our Company to acquire their shares;

(5) using shares for converting corporate bonds into shares issued by our Company;

(6) as required for our Company to maintain corporate value and Shareholders' interests;

(7) other circumstances approved by applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules and regulatory authorities.

Any repurchase under circumstances (3), (5) or (6) above, subject to the requirements of Listing Rules and the regulatory rules and guidelines of the Hong Kong Stock Exchange, shall be conducted through open and centralized trading.

A resolution of a Shareholders' meeting is required for repurchasing shares under circumstances (1) or (2) above. In accordance with the provisions of the Articles of Association or the authorization of the Shareholders' meeting, repurchase of shares under circumstances (3), (5) or (6) above may be resolved by a resolution of a meeting of the Board with a quorum of more than two-thirds of Directors, unless otherwise provided by Listing Rules. In compliance with Listing Rules, the shares acquired under the above circumstance (1), shall be de-registered within 10 days from the date of repurchase; the shares acquired under the above circumstances (2) or (4), shall be transferred or de-registered within six months; and the shares acquired under the above circumstances (3), (5) or (6), shall be transferred or de-registered within three years, and the shares held in total by our Company shall not exceed 10% of total shares issued by our Company. Where applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules and securities regulatory authorities where our Company's shares are listed provide otherwise regarding the relevant matters involved in the aforementioned share repurchase, those provisions shall prevail.

Where our Company acquires its own shares, it shall fulfill its information disclosure obligations in accordance with relevant laws, regulations, Listing Rules and the relevant provisions of the CSRC and the Hong Kong Stock Exchange.

**Transfer of Shares**

Unless otherwise required by applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules and the Articles of Association, the fully paid shares of our Company may be transferred freely. The transfer of overseas listed shares shall be registered with the local Hong Kong share registrar entrusted by our Company.

Shares issued by our Company prior to the public offering shall not be transferred within one year from the date our Company's shares are listed and traded on the Hong Kong Stock Exchange.

The Directors, Supervisors, general manager and other senior management of our Company shall report their shareholding in our Company and changes thereof to our Company, and during their tenure determined at the time of taking office, the shares transferred each year shall not exceed 25% of the total number of Company shares held by them; our Company shares held by them shall not be transferred within one year from the date when the shares of our Company are listed and traded; within half a year from departure from our Company, the aforesaid persons shall not transfer our Company shares held by them. If applicable laws, administrative regulations, departmental rules, normative documents and the Listing Rules provide otherwise, such rules shall apply in the principle of strictness.

All transfers of overseas listed shares shall adopt the written transfer instrument in general or common format or any other form acceptable to the Board (including the standard transfer format or transfer form prescribed by Hong Kong Stock Exchange from time to time); the written transfer documents may only be manually signed with signatures, or (if the transferor or the transferee is a corporation) stamped with valid seals. If the transferor or transferee of the shares of our Company is a recognised clearing house or its nominee as defined by the relevant regulations in force from time to time under the laws of Hong Kong, the written transfer documents may be signed by hand or machine printing. All transfer documents must be placed at the legal address of our Company, the address of the transfer office or such other place as the Board may designate from time to time. If our Company refuses to register the transfer of shares, our Company shall, within two months from the date of the formal application for transfer, provide the transferor and transferee with a notice of refusal to register the transfer of the shares.

Directors, Supervisors, senior management and Shareholders holding more than 5% of our Company's shares who sell shares or other securities of equity nature of our Company held by them within six months after purchase of the same, or purchase such shares or securities again within six months after sale of the same, shall have the profits gained returned to our Company, and the Board shall reclaim such profits. However, this does not apply under circumstances where securities companies hold more than 5% of the shares due to underwriting and purchasing remaining shares after sale, or other circumstances stipulated by the CSRC.

## SHAREHOLDERS AND SHAREHOLDERS' MEETING

### Shareholders

Shareholders of our Company are persons who lawfully hold shares of our Company and whose names are entered in the register of Shareholders, unless there is evidence to the contrary. Shareholders enjoy rights and assume obligations according to the class of shares they hold; each share of the same class shall bear the same rights and obligations.

The Shareholders of our Company shall be entitled to the following rights:

(1) receiving dividends and other form of interest distribution in proportion to their shareholdings;

(2) requiring, convening, chairing, attending by person or by proxy a Shareholders' meeting pursuant to the laws, and exercising the speaking right, inquiry right and voting right at the meeting;

(3) supervising, presenting suggestions on or making inquiries about the business operation of our Company;

(4) transferring, gifting or pledging the shares held by them, in accordance with applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules and the Articles of Association;

(5) accessing and replicating the Articles of Association, the register of Shareholders, minutes of Shareholders' meeting, resolutions of Board, resolutions of Supervisory Committee and publicly disclosed financial and accounting reports;

(6) participating in the distribution of residual assets of our Company in proportion to their shareholdings, upon termination or liquidation of our Company;

(7) for Shareholders who vote against any resolution adopted at the Shareholders' meeting on the merger or demerger of our Company, requesting our Company to acquire its shares;

(8) any other rights stipulated by applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules or the Articles of Association.

In the event that any resolution by the Shareholders' meeting or the Board meeting violates applicable laws and administrative regulations, the Shareholders may request people's court to invalidate such resolution. In the event that the convening procedures or voting means of the Shareholders' meeting or the Board meeting violate the laws, administrative regulations or the Articles of Association, or any resolution violates the Articles of Association, Shareholders may request people's court to withdraw such resolution within 60 days from the date of resolution, unless there are only minor defects in the convening procedures or voting means of the Shareholders' meeting or the Board meeting, which do not have a material impact on the resolutions.

The Shareholders of our Company shall undertake the following obligations:

(1) abiding by applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules and the Articles of Association;

(2) making payment according to the number of shares subscribed for and the manners of subscription;

(3) not withdrawing the shares, unless otherwise stipulated by applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules and the Articles of Association;

(4) not abusing Shareholder's rights to harm the interests of our Company or other Shareholders; not abusing the independent legal person status of our Company and the limited liability of Shareholders to harm the interests of our Company's creditors;

(5) any other obligations stipulated by applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules and the Articles of Association.

Any Shareholder who abuses Shareholder's rights causing losses to our Company or other Shareholders shall be liable for compensation pursuant to the laws. Any Shareholder who abuses the independent legal person status of our Company and the limited liability of Shareholders to evade debts and severely infringe upon the interests of our Company's creditors shall be held jointly and severally liable for our Company's debts.

The controlling Shareholder or actual controller of our Company shall not utilise its connected relationship against the interests of our Company, or else, shall compensate our Company for any loss incurred.

**General Rules for Shareholders' Meetings**

The Shareholders' meeting is the organ of authority of our Company, and shall duly exercise following functions and powers:

(1) to elect and remove any Director or Supervisor (not including employee representative(s)), and to determine the remuneration of the relevant Directors and Supervisors;

(2) to review and approve the reports of the Board;

(3) to review and approve the reports of the Supervisory Committee;

(4) to review and approve our Company's annual financial budgets and final accounts plans;

(5) to review and approve our Company's profit distribution plans and loss recovery plans;

(6) to resolve on our Company's increase/decrease of registered capital;

(7) to resolve on our Company's issuance of bonds or any class of shares, warrants and other similar securities as well as the listing;

(8) to resolve on our Company's merger, division, spin-off, dissolution, liquidation or change of its corporate form;

(9) to modify the Articles of Association;

(10) to decide on the engagement or dismissal of the accounting firm and the audit fee of the accounting firm;

(11) to review and approve the motions proposed by Shareholder(s) individually or jointly holding at least 1% voting shares of our Company;

(12) to review and approve the relevant transactions and guarantee matters required to be resolved by the Shareholders' meeting as specifically provided in the Articles of Association;

(13) to review and approve transactions between our Company and its connected persons that meet the requirements for approval by the Shareholders' meeting under Listing Rules;

(14) to review and approve our Company's purchase or disposals of material assets accumulated within one year in the amount exceeding 30% of latest audited total assets of our Company;

(15) to review and approve the change in the use of raised proceeds;

(16) to review and approve the stock incentive plans and employee stock plans;

(17) to adopt resolutions on certain acquisition of our Company's own shares by itself due to the circumstances as specifically provided in the Articles of Association;

(18) other matters to be decided by Shareholders' meeting under applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules and the Articles of Association.

There are two types of Shareholders' meetings: annual Shareholders' meeting and extraordinary Shareholders' meeting. The annual Shareholders' meeting shall be convened once a year, and shall be held within six months from the end of last accounting year.

The extraordinary Shareholders' meeting shall be convened when necessary. The extraordinary Shareholders' meeting shall be convened within two months from the date of occurrence of any of the following events:

(1) the number of Directors is less than two-thirds of the quorum required by the PRC Company Law, or less than two-thirds of the quorum required by the Articles of Association;

(2) the outstanding losses of our Company account for one-third of our Company's total share capital;

(3) Shareholder(s) individually or jointly holding at least 10% shares of our Company send(s) a written request for meeting;

(4) the Board deems necessary;

(5) the Supervisory Committee proposes to convene the meeting;

(6) more than two independent non-executive Directors propose to convene the meeting;

(7) other circumstances under applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules, or the Articles of Association.

The motions proposed by the convener shall be included in the agenda of the Shareholders' meeting under circumstances (3), (4) (5) or (6) above.

**Convening of Shareholders' Meetings**

Independent Non-Executive Directors may propose to convene an extraordinary Shareholders' meeting. In accordance with applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules and the Articles of Association, the Board shall provide written feedback on whether to agree or disagree with the proposal to convene such extraordinary Shareholders' meeting within 10 days after receiving the proposal. In the event the Board agrees to convene an extraordinary Shareholders' meeting, the Board shall issue an extraordinary Shareholders' meeting notice within five days of making its resolutions. In the event that the Board declines to convene an extraordinary Shareholders' meeting, the Board shall specify the reasons and make an announcement.

The Supervisory Committee may propose in writing to convene an extraordinary Shareholders' meeting. In accordance with applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules and the Articles of Association, the Board shall provide written feedback on whether to agree or disagree with the proposal to convene such extraordinary Shareholders' meeting within 10 days after receiving the proposal. In the event the Board agrees to convene an extraordinary Shareholders' meeting, the Board shall issue an extraordinary Shareholders' meeting notice within five days of making its resolutions, and any changes to the original proposal in such notice shall be agreed upon by the Supervisory Committee. In the event that the Board declines to convene an extraordinary Shareholders' meeting or fails to respond within 10 days, it shall be deemed to be unable or to fail to fulfill its duty to convene a Shareholders' meeting and then the Supervisory Committee may convene and preside over the meeting on its own.

Shareholder(s) individually or jointly holding 10% or more of shares may request in writing to convene an extraordinary Shareholders' meeting to the Board, and specify the subject of the meeting. In accordance with applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules, the Articles of Association and the relevant rules of procedure for the meeting, the Board shall provide written feedback on whether to agree or disagree with the request to convene such extraordinary Shareholders' meeting within 10 days after receiving the request. In the event the Board agrees to convene an extraordinary Shareholders' meeting, the Board shall issue an extraordinary Shareholders' meeting notice within five days of making its resolutions, and any changes to the original request in such notice shall be agreed upon by the requesting Shareholder(s). In the event that the Board declines to convene an extraordinary Shareholders' meeting or fails to respond in writing within 10 days after receiving the request, Shareholder(s) individually or jointly holding 10% or more of shares may request in writing to convene an extraordinary Shareholders' meeting to the Supervisory Committee. In the event the Supervisory Committee agrees to convene an extraordinary Shareholders' meeting, the Supervisory Committee shall issue an extraordinary Shareholders' meeting notice within five days of receiving such request, and any changes to the original request in such notice shall be agreed upon by the requesting Shareholder(s). In the event that the Supervisory Committee fails to issue the notice within the time limit, it shall be deemed to fail to convene and chair a Shareholders' meeting, and then the Shareholder(s) individually or collectively holding 10% or more of shares for at least 90 consecutive days may convene and chair the meeting on its/their own.

In the event of the Supervisory Committee or the Shareholder(s) convening and holding a Shareholders' meeting on its/their own, the necessary expenses incurred for such meeting shall be borne by our Company.

**Notice of Shareholders' Meetings**

To hold an annual Shareholders' meeting, the convener shall notify all Shareholders by announcement 21 days in advance. To hold an extraordinary Shareholders' meeting, the convener shall notify all Shareholders by announcement 10 business days or 15 days (whichever is longer) in advance. If applicable laws, administrative regulations, departmental rules, normative documents, the Listing Rules and the Articles of Association provide otherwise, such rules shall apply. The period shall exclude the date on which the meeting is convened.

The notice of Shareholders' meeting shall be made in writing (including paper documents or electronic documents that meet the requirements of the relevant regulatory rules of the place where our Company's securities are listed) and include the following:

(1) the time, place and duration of meeting;

(2) convening method of the meeting;

(3) matters and proposals submitted to the meeting for review;

(4) if any Director, Supervisor, general manager or other senior management has a material interest in the matter to be discussed at the meeting, the nature and degree of interest shall be disclosed; if the implications of the matter to be discussed on such Director, Supervisor, general manager or other senior management in their capacity as Shareholders are different from the implications on other Shareholders, such difference shall be explained;

(5) meeting materials necessary for Shareholder's voting;

(6) a conspicuous statement: all Shareholders have the right to attend the Shareholders' meeting and may appoint proxies in writing to attend the meeting and participate in the voting, and a Shareholder proxy need not be a Shareholder of our Company;

(7) time and address for lodging proxy forms;

(8) record date for determining Shareholders' entitlement to attend the Shareholders' meeting;

(9) the convener and chairman of the meeting, the proposer of an extraordinary Shareholders' meeting and the proposer's written proposal;

(10) name and telephone number of the permanent contact person for meeting affairs;

(11) time and voting procedures for voting online or by other means;

(12) the notice and supplementary notice of Shareholders' meeting shall contain information as required by Listing Rules and the Articles of Association and shall fully, completely and accurately disclose the specific contents of all proposals and all information or explanations necessary for the Shareholders to make reasonable judgment on the proposed matters. Where the opinions of independent non-executive Directors are necessary for matters to be discussed, the opinions and reasons given by independent non-executive Directors shall be disclosed simultaneously when the Shareholders' meeting notice or supplementary notice is issued.

**Proposals at Shareholders' Meetings**

When our Company convenes a Shareholders' meeting, the Shareholder(s) individually or jointly holding 1% or more of shares of our Company are entitled to put forward new proposals to our Company and submit them in writing to the convener ten days in advance, and the convener of the Shareholders' meeting shall issue a supplemental notice of Shareholders' meeting, announcing the contents of the new proposals, within two days after receiving such proposals, and include the matters in the new proposals that fall within the scope of authorities of the Shareholders' meeting in the agenda of the meeting and submit the same to the Shareholders' meeting for deliberation.

**Proxy at Shareholders' Meetings**

A Shareholder may appoint a proxy in writing, and the appointing Shareholder or his/her attorney proxy shall sign a proxy form in writing; if the appointing Shareholder is a corporate entity, such appointment shall be signed by its duly authorised representative.

The power of attorney issued by any Shareholder for appointing a proxy to attend the Shareholders' meeting shall include the instructions to vote for, vote against or abstain from each matter to be discussed as listed in the agenda of the Shareholders' meeting. Such power of attorney shall specify whether the proxy may vote at his/her own discretion in absence of instructions from the Shareholder. If it is not specified, it shall be deemed that the proxy is entitled to vote at his/her own discretion.

Where the appointing Shareholder dies, loses the capacity to act, withdraws the power of attorney, withdraws the authorization to sign the power of attorney or where the relevant shares have been assigned before voting, the vote made by the proxy so appointed shall be still valid, as long as our Company did not receive a notice in writing of such events before meeting.

**Resolutions of Shareholders' Meetings**

There are two kinds of resolutions made at Shareholders' meeting, namely: ordinary resolutions and special resolutions. Ordinary resolutions shall be approved by more than half of voting rights held by the Shareholders (including proxies) attending the Shareholders' meeting. Special resolutions shall be approved by above two-thirds of the voting rights held by Shareholders (including proxies) attending the Shareholders' meeting.

A Shareholder or proxy shall exercise its voting rights pertaining to the voting shares held by it when voting at Shareholders' meeting, and each share shall have one vote. When voting on shares, Shareholders (including their proxies) with two or more voting rights are not required to cast all their votes in favor or against a proposal. However, there is no voting rights attached to the shares held by our Company, and such portion of shares shall not be included in the total number of shares with voting rights at Shareholders' meeting.

When the matters of connected transactions (as defined in Listing Rules) are reviewed at Shareholders' meeting, connected Shareholders or their close associates (as defined in Listing Rules) shall not vote, and the number of voting shares held by them shall not be included in the total number of valid votes. The announcement on resolution of Shareholders' meeting shall fully disclose the voting results of non connected Shareholders. Before the Shareholders' meeting reviews connected transactions, our Company shall determine the scope of connected Shareholders in accordance with relevant laws, regulations, and normative documents. Connected Shareholders or their proxies may attend the Shareholders' meeting and express their views to the attending Shareholders in accordance with the meeting procedures.

If any Shareholder is required to abstain from voting in respect of a certain motion, or any Shareholder is restricted to vote for or against a certain motion in accordance with applicable laws, administrative regulations, departmental rules, Listing Rules, the Articles of Association and relevant rules of procedure for the meeting, such Shareholder shall abstain from voting or vote pursuant to such requirement and restriction. The votes of such Shareholder or its proxy shall not be counted in the event that such requirement or restriction is violated.

The following matters shall be approved by ordinary resolutions at the Shareholders' meeting:

(1) the work report of the Board or the Supervisory Committee;

(2) the profit distribution plan and plan for covering losses formulated by the Board;

(3) the election and removal of members of the Board and the Supervisory Committee (not being employee representative(s)) and their remunerations and the method of payment thereof;

(4) our Company's annual financial budgets and final accounts plans;

(5) the annual reports of our Company;

(6) the engagement or dismissal of the accounting firm and the audit fee of the accounting firm;

(7) the relevant transactions and guarantee matters required to be resolved by the Shareholders' meeting as specifically provided in the Articles of Association;

(8) connected transactions between our Company and its connected persons that meet the requirements for approval by the Shareholders' meeting under the Listing Rules;

(9) change in the use of raised proceeds;

(10) other matters to be decided by the Shareholders' meeting other than those required to be approved by a special resolution under applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules and the Articles of Association.

The following matters shall be approved by special resolutions at the Shareholders' meeting:

(1) the increase or decrease of share capital of our Company;

(2) the issuance of any class of shares, warrants and other similar securities as well as the listing of our Company;

(3) the division, spin-off, merger, or the change of corporate form of our Company;

(4) the termination, dissolution or liquidation of our Company;

(5) the amendment to the Articles of Association;

(6) the purchase, disposals of material assets or provision of guarantees accumulated within one year in the amount exceeding 30% of latest audited total assets of our Company;

(7) the equity stock incentive plans and employee stock plans;

(8) resolutions on certain acquisition of our Company's own shares by itself due to the circumstances as specifically provided in the Articles of Association;

(9) any other matters to be approved by extraordinary resolutions as required by applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules and the Articles of Association as well as other matters that are determined by the ordinary resolutions of the Shareholders' meeting to have a significant impact on our Company and require to be approved by special resolutions.

## DIRECTORS AND THE BOARD OF DIRECTORS

### Directors

The Directors of our Company shall be natural persons.

Directors shall be elected or replaced at Shareholders' meeting, for a tenure of three years. Upon the expiration of his tenure, a Director may be re-elected and serve consecutive terms.

The tenure of a Director shall be from the date of appointment to the expiry of tenure of the current Board. If a Director's tenure expires but an alternate Director is not elected in time, then before the alternate Director holding office, the original Director shall still perform the duties as Director, in accordance with applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules and the Articles of Association.

A Director may propose resignation before expiry of tenure, by filing a resignation report in writing to the Board. The Board will disclose the relevant information within the time limit specified by applicable laws, administrative regulations, departmental rules, normative documents, and Listing Rules. Directors shall not evade their responsibilities through resignation or other means. If the resignation of a Director causes the number of board members to be less than the quorum, then before the alternate Director holds office, the original Director shall still perform the duties as Director under applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules and the Articles of Association. Otherwise, a Director's resignation shall be effective from the time such resignation report is delivered to the Board.

### Chairman

The Board shall have one Chairman, who shall be elected by more than half of Directors with a tenure of three years, and may be re-elected and serve consecutive terms.

The Chairman of the Board shall exercise the following powers and functions:

(1) leading the Board and ensuring the effective operation of the Board;

(2) presiding over Shareholders' meetings, convening and presiding over Board meetings, formulating and approving the agenda for each Board meeting, taking into account any matters proposed to be added to the agenda by other Directors where appropriate, and ensuring that all Directors at the Board meeting are properly informed of such matters;

(3) supervising and inspecting the implementation of resolutions of the Board;

(4) signing the securities issued by our Company;

(5) ensuring that Directors receive adequate information in a timely manner and that such information is accurate, clear, complete and reliable;

(6) ensuring that appropriate measures are taken to maintain effective liaison with Shareholders and ensuring that Shareholders' opinions can be conveyed to the entire Board;

(7) ensuring that good corporate governance practices and procedures are formulated by our Company;

(8) encouraging dissenting Directors to express their concerned matters, providing adequate time to discuss these matters, and ensuring that the resolutions of the Board can fairly reflect the consensus of the Board;

(9) examining and approving other matters beyond the scope of authorities of the Shareholders' meeting, the Board and the general manager prescribed by laws, regulations or the Articles of Association; and

(10) other duties granted by the Board.

Where the Chairman is incapable of performing or fails to perform his/her duties, such duties shall be performed by a Director jointly elected by a majority of Directors.

**Board**

Our Company sets up the Board, composed of 7 Directors. Directors of our Company shall be divided into executive Directors, non-executive Directors and independent non-executive Directors. The number of independent non-executive Directors shall account for at least one-third of the total number of Directors and shall be no less than three.

The Board shall be responsible to the Shareholders' meetings and exercise the following functions and powers:

(1) convening the Shareholders' meeting, submitting proposals and motions to the Shareholders' meetings, proposing to the Shareholders' meetings for approval of relevant matters, and submitting work reports to the Shareholders' meetings;

(2) implementing resolutions of the Shareholders' meetings;

(3) determining the operating plans and investment schemes of our Company;

(4) formulating the annual budget plan and final accounts plan of our Company;

(5) formulating the profit distribution plan and loss makeup plan of our Company;

(6) formulating our Company's plans for increase or decrease of the registered capital, issuance of shares, corporate bonds or other securities, or listing plans;

(7) contemplating the plans for major acquisitions, share repurchase, merger, division, dissolution or change of form of our Company;

(8) deciding, to the extent authorized by the Shareholders' meeting, our Company's external investment, acquisition and sale of assets, mortgage of assets, external guarantee, entrusted management of wealth, connected transactions, external donations and other matters;

(9) deciding on the setup of internal management bodies of our Company;

(10) deciding on the appointment or dismissal of our Company's general manager, board secretary, and other senior officers, and deciding on their remuneration, reward and punishment; deciding on the appointment or dismissal of the executive deputy general manager, chief financial officer, and other senior officers according to the nomination by the general manager, and deciding on their remuneration, reward and punishment;

(11) formulating the fundamental management systems of our Company;

(12) formulating the stock incentive plans and employee stock plans;

(13) formulating the modification plan of the Articles of Association;

(14) managing the information disclosure of our Company;

(15) proposing to the Shareholders' meeting the engagement or replacement of the accounting firm which provides audit services to our Company;

(16) hearing the work reports by the general manager and other senior officers of our Company and inspecting the work performed by the general manager and other senior officers;

(17) under the authorization of the Articles of Association or the Shareholders' meeting, resolving on certain acquisition of our Company's own shares by itself due to the circumstances as specifically provided in the Articles of Association;

(18) agree to the appointment or dismissal of the directors and/or general managers of our Company's wholly-owned and/or controlled subsidiaries by themselves; and

(19) any other functions and powers granted by applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules, the Articles of Association or the Shareholders' meeting.

Upon the consent of more than half of the Board, the Chairman may be authorized to exercise certain functions and powers of the Board when it is not in session, which shall be determined by the Board resolutions. However, major matters of our Company shall be decided collectively by the Board. The statutory functions and powers that should be exercised by the Board shall not be delegated to the Chairman, the general manager or others.

The Board shall explain to Shareholders' meeting about the non-standard audit opinions issued by the CPA firm against the financial statements of our Company.

The Board may hold two kinds of meetings, namely: regular meetings and interim meetings. The Board shall hold at least four regular meetings per year, approximately once every quarter, convened by the Chairman. The Chairman shall hold at least one meeting annually with the independent non-executive Directors without the presence of other Directors. The notice and relevant documents for the regular meeting shall be delivered to all Directors and Supervisors at least fourteen days prior to the date of regular meetings (excluding the day on which the meeting is held) for the purpose of enabling all Directors to attend the meeting.

The notice of interim meeting shall be sent to all Directors and Supervisors five days prior to the date of interim meetings by fax, e-mail, or other means. In an emergency requiring the Board to hold an interim meeting as soon as possible, the notice of meeting may be given by telephone or other oral means, provided that the convener shall make explanations at the meeting. With the consent of all Directors of our Company, the notification time limit specified in the preceding paragraph may be waived.

A meeting of the Board may not be held without more than half of Directors being present, which shall include the presence of three executive Directors. To determine whether a quorum of meeting exists, any Director who or whose close associates (as defined in Listing Rules) has an interest in or has a connection with any matter to be resolved at the meeting, or is required to abstain from voting according to Listing Rules shall not be counted.

Every Director may cast one vote. A motion at the meeting of the Board may be passed as resolution by a simple majority of all Directors unless otherwise required by the Articles of Association, and any Director who or whose close associates (as defined in Listing Rules) has an interest in or has a connection with any matter to be resolved at the meeting, or is required to abstain from voting according to the Listing Rules shall abstain from voting, nor shall they exercise voting rights on behalf of other Directors.

Where there is a tie of votes cast both for and against a resolution, the Chairman shall have the right to cast one more vote.

Directors shall attend Board meetings in person or actively participate in Board meetings through electronic means. A Director who is unable to attend a meeting for any reason shall appoint another Director to attend a Board meeting on its behalf in writing, and the appointed Director shall issue the power of attorney to the Board. The appointed Director shall exercise the rights as Director within the scope of authorisation. The failure of a Director to attend a Board meeting in person or by proxy shall be deemed as waiving his/her voting rights at such meeting.

**General Manager and Other Senior Management**

Our Company shall have one general manager and one executive deputy general manager who shall be appointed or dismissed by the Board. Our Company's senior management is composed of general manager, executive deputy general manager, chief financial officer and secretary to the Board.

The term of office of the general manager shall be three years and the general manager may be reappointed and serve consecutive terms upon the expiration of the term.

The general manager shall be responsible to the Board, and exercises the following functions and powers:

(1) take charge of the production, operation and management of our Company, organize the implementation of Board resolutions and report to the Board;

(2) organize the implementation of the annual operation plan and investment plan of our Company;

(3) contemplate the internal management bodies setup plan of our Company;

(4) contemplate the fundamental management system of our Company;

(5) formulate the specific rules and regulations of our Company;

(6) propose to the Board the appointment or dismissal of the executive deputy general manager or the chief financial officer;

(7) appoint or dismiss a manager other than those who should be appointed or dismissed by the Board;

(8) other duties authorized by the Articles of Association or the Board;

The general manager shall attend Board meetings.

The senior management shall faithfully perform his/her duties and safeguard the maximum interest of our Company and all Shareholders. If the senior management fails to faithfully perform their duties or violate their integrity obligations, causing damage to the interest of our Company and the public Shareholders, they shall bear compensation liability in accordance with the law.

## SUPERVISORS AND THE SUPERVISORY COMMITTEE

The Supervisory Committee shall be composed of three Supervisors, one of whom shall be the staff's representative. The staff's representative Supervisor shall be democratically elected at our Company's staff representative meeting, the staff general meeting or by other means.

A Supervisor shall not be a Director, general manager or other member of senior management of our Company.

One of the Supervisors shall act as the chairman. The election of the chairman is subject to the approval by at least one half of the members of the Supervisory Committee through voting.

The Supervisory Committee exercises the following functions and powers:

(1) examine and give written opinions on our Company's regular reports prepared by the Board;

(2) examine the finance of our Company;

(3) supervise the act of Directors and senior management during their performance of duties and propose the dismissal of any Director or senior management who contravenes applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules, the Articles of Association or the resolutions of Shareholders' meeting;

(4) require a Director or senior management to correct its act that has harmed the interests of our Company;

(5) propose an extraordinary Shareholders' meeting, and when the Board fails to perform its duties to convene or hold the Shareholders' meeting as required by the PRC Company Law, convene or hold the Shareholders' meeting;

(6) submit proposals to the Shareholders' meeting;

(7) file a lawsuit against a Director or senior management in accordance with the PRC Company Law;

(8) investigate abnormalities identified in the operation of our Company and, where necessary, to engage an accounting firm, a law firm or any other professional firm to assist with its work at the expense of our Company; and

(9) other duties under applicable laws, administrative regulations, the Articles of Association or granted by Shareholders' meeting.

**Eligibility and Obligations of Directors, Supervisors, and Senior Management**

Any of the following persons shall not act as Director, Supervisor, general manager or other senior management of our Company:

(1) who has no or limited civil capacity;

(2) who was sentenced for corruption, bribery, embezzlement or misappropriation of properties or destruction of the order of socialist market-oriented economy, and the execution of such sentence has expired for no more than five years; or who was deprived of political rights due to any crime, and the execution of such deprivation has expired for no more than five years, and for those who have been declared on probation, the probation period has expired for no more than two years;

(3) who acted as director, factory manager, manager of a company or enterprise in bankruptcy liquidation, and was personally liable for the bankruptcy of such a company or enterprise, and a three-year period has not elapsed since the completion of bankruptcy liquidation of such company or enterprise;

(4) who acted as the legal representative of a company or enterprise whose business license was revoked or which was ordered to close down due to violation of law and who is personally liable, and a three-year period has not elapsed since the revocation of the business license or the closure of such company or enterprise;

(5) who has a significant amount of due and outstanding debts and was listed as dishonest person subjected to enforcement by the people's court;

(6) who has been barred from the securities market by the CSRC for a certain period of time and such period has not expired yet;

(7) any other circumstances stipulated by applicable laws, administrative regulations, departmental rules, normative documents and Listing Rules.

The Directors shall comply with applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules and the Articles of Association and assume the duty of loyalty to our Company. Such obligations include:

(1) shall not accept any bribery or other illegal income by using his or her powers and position;

(2) shall not embezzle our Company's property or misappropriate our Company's funds;

(3) shall not open accounts in his/her own name or in the names of others to deposit funds or assets of our Company;

(4) shall not lend our Company's funds to others or pledge Company's properties to others in violation of the Articles of Association and without the approval of the Shareholders' meeting or the Board;

(5) shall not accept commission for transactions between our Company and others as personal gains;

(6) shall not take advantage of duty to seek business opportunities for themselves or others that would have been directed to our Company, except for those that our Company may not take the advantage of as resolved by the Board or the Shareholders' meeting or as stipulated by applicable laws, administrative regulations and the Articles of Association;

(7) shall not engage in business similar to those of our Company for themselves or others, without the approval of the Board or the Shareholders' meeting in accordance with the Articles of Association;

(8) shall not conclude any contract directly or indirectly with our Company without the approval of the Board or the Shareholders' meeting in accordance with the Articles of Association; these provisions shall apply to the close relatives of Directors or enterprises directly or indirectly owned by their close relatives, as well as connected persons with other connection with Directors where they conclude contracts or conduct transactions with our Company;

(9) shall not disclose any confidential information involving our Company without authorisation;

(10) shall not impair the interests of our Company through connected relationship;

(11) other loyalty obligations in accordance with applicable laws, administrative regulations, departmental rule, normative documents, Listing Rules and the Articles of Association.

The senior management assume the aforementioned duty of loyalty.

The Directors shall comply with applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules and the Articles of Association and assume the duty of diligence to our Company. Such obligations include:

(1) shall exercise the powers granted by our Company carefully, faithfully, and diligently so that the business carried out by our Company is in compliance with applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules and economic policies of the state, and such business activities are within the business scope specified in our Company's business license;

(2) shall treat all Shareholders equally;

(3) shall stay informed with the business and operation of our Company timely;

(4) shall sign the written confirmation opinions on our Company's regular reports, and ensure that the information disclosed by our Company is true, accurate, and complete;

(5) shall provide relevant information and materials to the Supervisory Committee truthfully and shall not hinder the Supervisory Committee or the Supervisors from performing their duty;

(6) other diligence obligations in accordance with applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules and the Articles of Association.

The senior management assume the aforementioned obligations in items (4), (5) and (6).

Supervisors shall abide by applicable laws, administrative regulations, departmental rules, normative documents, Listing Rules and the Articles of Association, and shall owe duties of loyalty and due diligence to our Company. Supervisors may not abuse their authority by accepting bribes or other illegal income, nor may they misappropriate the property of our Company.

## FINANCIAL ACCOUNTING POLICY

Our Company formulates the financial and accounting system according to applicable laws, administrative regulations, departmental rules, normative documents and Listing Rules.

The Board shall submit the financial reports prepared by our Company as required by applicable laws, administrative regulations, departmental rules, normative documents of local governments and authorities as well as the Listing Rules to Shareholders at each annual Shareholders' meeting. Our Company shall not establish other accounting books other than those required by laws. Our Company's assets shall not be deposited into any account opened in the name of any individual person.

The financial report shall be made available for Shareholders' inspection 20 days prior to the annual Shareholders' meeting. The foregoing financial report shall include the Board of Director's report, the balance sheet (including various documents as required to be attached by PRC or other applicable laws, administrative regulations, departmental rules, normative documents and the Listing Rules) and the profit and loss statement (income statement) or income and expenditure statement (cash flow statement) or a financial summary report approved by the Hong Kong Stock Exchange (provided that there will be no violation of applicable PRC laws, administrative regulations, departmental rules or normative documents).

Our Company shall publish the financial reports at international or Hong Kong accounting standards twice each accounting year, that is, publish the annual report within four months from the end of each accounting year, and publish the interim report within three months from the end of the first six months of each accounting year. Our Company shall publish performance announcements twice each accounting year, namely, publish the annual performance announcement within three months from the end of each accounting year, and publish the interim performance announcement within two months from the end of the first six months of each accounting year. Our Company shall prepare the above-mentioned annual report and interim report in accordance with applicable laws, administrative regulations, departmental rules and the Listing Rules, and report, disclose and/or submit the annual report and interim report and other documents to Shareholders. If the relevant laws, administrative regulations, securities regulatory authorities of the place where our Company's shares are listed, or the Hong Kong Stock Exchange provide otherwise, such provisions shall prevail.

## PROFITS DISTRIBUTION

To distribute after-tax profits of current year, our Company shall allocate 10% of profits for the statutory reserves of our Company. If the cumulative amount of statutory reserves exceeds 50% of the registered capital of our Company, no further allocation is required. If the statutory reserves are insufficient to make up previous losses, then our Company shall firstly make up previous losses with current profits, before any allocation is made to the statutory reserves in accordance with the preceding sentence.

After allocation is made to the statutory reserves from after-tax profits, our Company may also draw discretionary reserves from after-tax profits, subject to the resolution of the Shareholder's meeting.

The remaining after-tax profits after loss makeup and allocation to reserves shall be distributed to Shareholders in proportion to their shareholding percentages, except for those that are not distributed in proportion to the shareholding percentages as stipulated in the Articles of Association.

If the Shareholder's meeting breaches the foregoing provisions and distributes profits to Shareholders before losses are made up and the statutory reserves are drawn, then Shareholders shall refund the distributed profits to our Company in violation of the foregoing provisions.

The shares held by our Company per se shall not participate in the profit distribution.

The reserves of our Company are used to make up losses, expand production and operation, or increase the registered capital of our Company. To make up for our Company's losses using reserves, the discretionary reserves and statutory reserves should be used first; if it is still unable to make up for it, the capital reserves can be used in accordance with relevant provisions.

When the statutory reserves are converted into registered capital, the remaining amount of said reserves shall not be less than 25% of the registered capital of our Company before such conversion.

After the Shareholders' meeting of the Company has resolved on the profit distribution, the Board shall complete the distribution of dividends (or shares) within six months from the date of the resolutions of the Shareholders' meeting.

The amounts paid by Shareholders for shares before our Company's calls for payments may incur interest, but Shareholders may not receive dividends upon the amounts prepaid for shares.

Our Company shall appoint a collection agent for the holders of overseas listed shares, who shall receive the dividends and other payables of our Company in respect of overseas listed shares, on behalf of said Shareholders.

The collection agent appointed by our Company shall meet the requirements of laws of Hong Kong and the relevant regulations of Hong Kong Stock Exchange.

The collection agent appointed by our Company for the holders of overseas shares listed in Hong Kong Stock Exchange shall be a trust company registered under the Trustee Ordinance of Hong Kong.

Subject to the relevant laws and Listing Rules, our Company may confiscate any dividend unclaimed, provided that such power shall not be exercised before expiration of its applicable limitation period.

Our Company also has the power to terminate the delivery of a dividend warrant by post to an holder of offshore listed shares; provided that our Company may exercise such power only if the cash on such dividend warrant is not withdrawn consecutively two times or more. However, our Company may also exercise this power if the dividend warrant has been returned undelivered to the recipient on the first attempt.

Our Company has the right to issue warrants to bearer holders. No new warrant shall be issued to replace a lost warrant unless it is reasonably assured that the original warrant has been lost. Our Company shall have the power to sell the shares of offshore listed Shareholders who have been unable to contact in such manner as the Board may think appropriate, provided, however, that:

(1) dividends are distributed onto such shares at least three times within 12 years, but such dividends are unclaimed in such period; and

(2) upon expiration of the 12-year period, our Company shall publish a public announcement on one or more newspapers in Hong Kong, specifying the intention to sell such shares, and shall notify Hong Kong Stock Exchange of such intention.

## ENGAGEMENT OF ACCOUNTING FIRM

Our Company shall engage an independent accounting firm in compliance with relevant laws and regulations, to conduct accounting statement auditing, net asset verification and other related consulting services. The engagement period is one year and can be renewed.

The accounting firm engaged by our Company is entitled to following rights:

(1) to access the books of accounts, records, or vouchers of our Company at any time, and require the Directors, general manager, or other senior management of our Company to provide related information and explanations;

(2) to require our Company to take all reasonable measures to obtain from its subsidiaries all information and notes required for said accounting firm to perform its duties;

(3) to attend Shareholders' meeting, receive the notice of meeting, or other information related to the meeting accessible to any Shareholder, and make a speech at any Shareholders' meeting in respect of any matter involving its role as the accounting firm of our Company.

If any position of the accounting firm is vacant, the Board may appoint an accounting firm to fill up such vacancy before the convening of the Shareholders' meeting. Any other accounting firm which has been engaged by our Company may continue to act during the period when such a vacancy exists.

The Shareholders' meeting may, by means of an ordinary resolution, dismiss any accounting firm prior to the expiration of its term of office, notwithstanding the terms in the contract between the accounting firm and our Company, but without prejudice to such accounting firm's right, if any, to claim damages from our Company in respect of such dismissal.

The remuneration of the accounting firm shall be decided by an ordinary resolution of the Shareholders' meeting. The engagement, dismissal or removal of an accounting firm shall be decided by the Shareholders' meeting. The Board shall not engage an accounting firm prior to the decision by the Shareholders' meeting.

Our Company shall send a 15-day prior notice to the accounting firm, in order to dismiss or not to reappoint the accounting firm, and the said accounting firm is entitled to give opinions when the Shareholders' meeting votes on the dismissal of the same. The accounting firm, in order to resign, shall make representations whether our Company has any improper affairs to the Shareholders' meeting.

## MERGER AND DIVISION OF OUR COMPANY

The merger of our Company may take two forms: merger by absorption or merger by new establishment.

If our Company merges with a company in which it holds more than ninety percent of the shares, the merger does not require a resolution of the shareholders' meeting of the merged company, but other shareholders must be notified and have the right to request our Company to purchase their shares at a reasonable price.

If the consideration paid by our Company for the merger does not exceed ten percent of our Company's net assets, a resolution of the Shareholders' meeting is not required, unless otherwise provided by the Articles of Association and the regulations of the securities exchange and securities regulatory authorities where our Company's shares are listed.

Mergers conducted in accordance with the preceding two paragraphs without a resolution of the Shareholders' meeting must be approved by a resolution of the Board.

In a merger of our Company, all parties to the merger shall sign the merger agreement and shall prepare their respective balance sheets and inventory lists of assets. Our Company shall notify its creditors within 10 days from the date of passing the merger resolution and to make a public announcement in newspaper or on the National Enterprise Credit Information Publicity System within 30 days from the date of passing the merger resolution. Upon the merger, the creditors' rights and the indebtedness of each merging party shall be assumed by the surviving entity or the newly established company resulting from the merger.

Where our Company is to be divided, its assets shall be divided accordingly. In the event of the division of our Company, the parties to such division shall prepare a balance sheet and a list of assets. Our Company shall notify its creditors within 10 days from the date of the resolution on such division and shall make a public announcement in newspaper or on the National Enterprise Credit Information Publicity System within 30 days from the date of the resolution on such division. The company resulting from the division shall be jointly and severally liable for the pre-division debts of our Company, unless provided otherwise in a written agreement pertaining to the payment of debts between our Company and its creditors prior to the division.

Where our Company undergoes a merger or division, changes in the particulars of our Company shall be registered with the company registration authorities in accordance with the laws. Where our Company is dissolved, cancellation of its registration shall be conducted in accordance with the laws. Where a new company is established, it shall be registered in accordance with the laws.

## DISSOLUTION AND LIQUIDATION OF OUR COMPANY

Our Company shall be dissolved upon the occurrence of any of the following events:

(1) expiry of the term of the business or the occurrence of other events of dissolution as stated in the Articles of Association;

(2) a resolution for dissolution is passed by a Shareholders' meeting;

(3) dissolution is necessary due to a merger or division of our Company;

(4) our Company is revoked of business license, ordered to close or canceled according to law;

(5) serious difficulties arise in the operation and management of our Company and its continued existence would cause material loss to the interests of the Shareholders and such difficulties cannot be resolved through other means, in which case Shareholders holding at least 10% of all Shareholders' voting rights may petition a people's court to dissolve our Company.

Where our Company is dissolved in accordance with the provisions of items (1), (2), (4) and (5) above, it shall be liquidated. The Directors shall be the obligors of our Company's liquidation and shall form a liquidation committee to carry out the liquidation within 15 days from the date on which the cause of dissolution arises. The members of the liquidation committee shall be Directors or other persons appointed by a Shareholders' meeting. If a liquidation committee is not established within the time period or a liquidation is not carried out after the establishment of the liquidation committee, the interested parties may apply to the people's court to appoint relevant personnel to establish a liquidation committee to proceed with the liquidation.

The liquidation committee shall exercise the following functions and powers during the period of liquidation:

(1) to dispose of the property of our Company, and to prepare a balance sheet and a list of properties;

(2) to inform creditors by notice and public announcement;

(3) to handle unfinished business of our Company relating to the liquidation;

(4) to pay up all outstanding taxes and tax arising during the liquidation process;

(5) to clear up claims and debts;

(6) to distribute the residual properties of our Company after the full settlement of debts;

(7) to represent our Company in civil litigations.

The liquidation committee shall notify the creditors within 10 days after its establishment, and publish announcements in the newspaper or on the National Enterprise Credit Information Publicity System within 60 days. Creditors shall, within 30 days from the date of receiving the notice; or for creditors who do not receive the notice, within 45 days from the date of the public announcement, declare their claims to the liquidation committee.

The creditor shall provide a description and supporting evidence of the matters relating to their claims when declaring their claims. The liquidation committee shall register the creditors' claims.

The liquidation committee shall not make any debt settlement during the period of declaration of claims.

A liquidation plan shall be formulated by the liquidation committee after the stocktaking of our Company's assets has been carried out and the balance sheet and a inventory of assets have been formulated, and shall be submitted to the Shareholders' meeting or people's court for confirmation.

After payment of liquidation expenses, staff wages, social insurance expenses and statutory compensation, payment of outstanding taxes, and payment of our Company's debts, the residual assets of our Company shall be distributed to the Shareholders of our Company according to the proportion of their shareholdings.

During the liquidation period, our Company shall continue to exist but shall not carry out business activities unrelated to the liquidation. Before our Company's debts have been fully repaid in accordance with the provisions of the preceding paragraph, no assets of our Company shall be distributed to its Shareholders.

Where the liquidation committee, having examined our Company's assets and having prepared a balance sheet and an inventory of assets, discovers that our Company's assets are insufficient to pay its debts in full, it shall immediately apply to the people's court for a declaration of bankruptcy. Once the people's court has declared our Company bankrupt, the liquidation committee shall turn over any matters regarding the liquidation to the people's court.

Following the completion of liquidation, the liquidation committee shall formulate a report on liquidation, which shall be submitted to the Shareholders' meeting or the people's court for confirmation. The liquidation committee shall also submit the aforesaid documents to the company registration authority and apply for cancellation of registration of our Company.

## AMENDMENT TO THE ARTICLES OF ASSOCIATION

Under one of the following circumstances, our Company shall amend the Articles of Association:

(1) when the Articles of Association contradicts the newly implemented amendments of PRC Company Law or the relevant applicable laws, administrative regulations, departmental rules, normative documents and Listing Rules;

(2) due to any change, when the information of our Company is inconsistent with the matters set forth in the Articles of Association;

(3) when the Shareholders' meeting has made a resolution to amend the Articles of Association.

In the event that the amendment to the Articles of Association adopted by the Shareholders' meeting needs to be approved by the competent authority, our Company shall seek approval from relevant authority and if it involves company registration matters, change registration shall be handled in accordance with the law. The Board shall follow such resolution by the Shareholders' meeting and the approval opinions of relevant authority when amending the Articles of Association.

In the event that an amendment to the Articles of Association qualifies as required disclosure under applicable laws, administrative regulations, departmental rules, normative documents and Listing Rules, such amendment should be publicly announced.

## FURTHER INFORMATION ABOUT OUR COMPANY

### Establishment of our Company

Our Company was established as a limited liability company in the PRC on February 26, 2019 and was converted into a joint stock limited company with limited liability on July 17, 2024 under the laws of the PRC. As of the Latest Practicable Date, the registered share capital of our Company is RMB2,386,976,403.

Our Company has established a place of business in Hong Kong at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on August 8, 2024. Ms. Ho Wing Nga (何詠雅), one of our joint company secretaries, has been appointed as the authorized representative for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in Appendix III to this Prospectus.

### Changes in Share Capital of Our Company

Save as disclosed in the section headed "History, Reorganization and Corporate Structure—Corporate Development and Major Shareholding Changes" and "History, Reorganization and Corporate Structure—Pre-IPO Investments", there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this Prospectus.

### Changes in Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries as at December 31, 2024 are set out in the Accountants' Report in Appendix I to this Prospectus.

Details of the changes in the share capital of the Company's subsidiaries within the two years immediately preceding the date of this Prospectus are set out below:

(a) on May 22, 2024, Suzhou Zenergy Battery Technologies Co., Ltd. (蘇州正力新能電池科技有限公司) was established in the PRC as a wholly-owned subsidiary of our Company with registered capital of RMB1,000 million; and

(b) on March 3, 2025, Changshu Sinogy Technologies Co., Ltd. (常熟新中源科技有限公司) was established in the PRC as a wholly-owned subsidiary of our Company with registered capital of RMB100 million.

Save as disclosed above, there had been no other alterations of share capital of our subsidiaries within the two years preceding the date of this Prospectus.

**Resolutions of our Shareholders**

Pursuant to the Shareholders' meeting held on July 24, 2024, the following resolutions, among other things, were (subject to the relevant regulatory approval, filing and registration) duly passed:

(a) the issuance by our Company of the H Shares of nominal value of RMB1.00 each and such H Shares being listed on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued pursuant to the Global Offering, and the grant to the underwriters (or their representatives) of the Over-allotment Option of not more than 15% of the number of H Shares issued pursuant to the Global Offering;

(c) upon completion of the Global Offering, 1,317,849,039 Unlisted Shares in aggregate will be converted into H Shares on a one-for-one basis;

(d) authorization of the Board and its authorized persons to handle matters relating to, among other things, the Global Offering, the issue and listing of the H Shares; and

(e) subject to the completion of the Global Offering, the granting of a general mandate to the Board to repurchase H Shares issued on the Stock Exchange with an aggregate number of not exceeding 10% of the number of the total issued H Shares (excluding any treasury shares) as at the date of the resolution granting the general mandate;

(f) subject to the completion of the Global Offering, the granting of a general mandate to the Board to allot, issue Shares, or sell and/or transfer Shares out of treasury that are held as treasury shares at any time within a period up to the date of the conclusion of the next annual general meeting of the Shareholders or the date on which the Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes and to such persons as the Board in their absolute discretion deem fit, and to make necessary amendments to the Articles of Association, provided that, the number of Shares to be issued shall not exceed 20% of the number of the Shares in issue (excluding any treasury shares) as at the date of the resolution granting the general mandate; and

(g) subject to the completion of the Global Offering, the conditional adoption of the Articles of Association, which shall become effective on the Listing Date and the authorization of the Board to amend the Articles of Association in accordance with relevant laws and regulations and upon the request from the Stock Exchange and relevant PRC regulatory authorities.

**Explanatory Statement on Repurchase of Our Own Securities**

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this Prospectus concerning the repurchase of our own securities.

***(a) Reasons for repurchase***

The Board considered that the repurchase of the Shares would be beneficial to and in the best interests of the Company and its Shareholders as a whole. It can strengthen the investors' confidence in the Company and promote a positive effect on maintaining the Company's reputation in the capital market. Such repurchases will only be made when the Board believes that such repurchases will benefit the Company and its Shareholder as a whole.

Following a repurchase of Shares, the Company may cancel any repurchased Shares and/or hold them as treasury shares subject to, among others, market conditions and its capital management needs at the relevant time of the repurchases, which may change due to evolving circumstances.

***(b) Exercise of the general mandate to repurchase Shares***

Subject to the passing of the special resolution approving the grant of the general mandate to repurchase H Shares at annual general meetings, the Board will be granted general mandate to repurchase H Shares until the end of the relevant period. The general mandate to repurchase Shares would expire on the earlier of:

(i) the conclusion of the next annual general meeting of the Company of which time it shall lapse unless, by special resolutions passed at that meeting, the authority is renewed, either conditionally or subject to conditions; or

(ii) the revocation or variation of the mandate under the resolution by a special resolution at any general meeting of the Company.

Furthermore, we need to complete registration and approval procedures with relevant government authorities for the actual grant of the repurchase mandate to the Board, as applicable. The exercise in full of the general mandate to repurchase H Shares (on the basis of 1,439,372,739 H Shares in issue as of the Listing Date and no H Shares will be allotted and issued or repurchased by the Company on or prior to the date of the next annual general meeting to be held after the Listing) would result in a maximum of 143,937,273 H Shares being repurchased by the Company during the relevant period, being the maximum of 10% of the H Shares in issue (excluding any treasury shares) as of the Listing Date.

### *(c) Source of funds*

In repurchasing its Shares, the Company intends to apply funds from the Company's internal resources (which may include surplus funds and retained profits) legally available for such purpose in accordance with the Articles of Association and the applicable laws, rules and regulations of the PRC.

The Company is empowered by its Articles of Association to repurchase its Shares. Any shares to be repurchased will be cancelled or kept as treasury shares if allowed by the Articles of Association and applicable laws and regulations. The Company may not purchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

### *(d) Suspension of repurchase*

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

### *(e) Close associates and core connected persons*

None of our Directors or, to the best of their knowledge having made all reasonable inquiries, any of their close associates have a present intention, in the event the general mandate to repurchase Shares is approved, to sell any Shares to our Company.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken to do so, if the general mandate to repurchase Shares is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, supervisor, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

***(f) Status of repurchased Shares***

Subject to the Articles of Association, the Listing Rules and any other applicable laws and regulations, the Shares repurchased by the Company will be cancelled or kept as treasury shares.

***(g) Takeover implications***

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the general mandate to repurchase Shares.

***(h) Interim measures***

For any treasury shares of the Company deposited with CCASS pending resale on the Stock Exchange, the Company shall, upon approval by the Board, implement the below interim measures which include (without limitation):

(i) procuring its broker not to give any instructions to HKSCC to vote at general meetings for the treasury shares deposited with CCASS;

(ii) in the case of dividends or distributions (if any and where applicable), withdrawing the treasury shares from CCASS, and either re-register them in its own name as treasury shares or cancel them, in each case before the relevant record date for the dividend or distributions; or

(iii) taking any other measures to ensure that it will not exercise any Shareholders' rights or receive any entitlements which would otherwise be suspended under the applicable laws if those Shares were registered in its own name as treasury shares.

***(i) General***

The Company did not hold any treasury shares as of the Latest Practicable Date and will not hold any treasury shares upon Listing.

If the general mandate to repurchase Shares were to be carried out in full at any time, there may be a material and adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the general mandate to repurchase Shares to such an extent as would have a material and adverse effect on our working capital or gearing position.

Our Directors have undertaken to the Stock Exchange that they will exercise the general mandate to repurchase Shares in accordance with the Listing Rules and the applicable laws in the PRC. Neither the Explanatory Statement on Repurchase of Our Own Securities nor the proposed share repurchase has any unusual feature.

## FURTHER INFORMATION ABOUT OUR BUSINESS

### Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Prospectus that is or may be material:

(a) the equity transfer agreement relating to Sinogy Toyota Automotive Energy System Co., Ltd. (新中源豐田汽車能源系統有限公司之股權轉讓協議) dated November 22, 2023 entered into between our Company and Changshu SINOGY Venture Capital Co., Ltd. (常熟新中源創業投資有限公司), pursuant to which our Company acquired 50% of the equity interests in Sinogy Toyota Automotive Energy System Co., Ltd. (新中源豐田汽車能源系統有限公司) at a consideration of RMB3,311,458,101.35;

(b) the cornerstone investment agreement dated April 1, 2025 entered into among our Company, Jiangsu State-Owned Enterprise Mixed Ownership Reform Fund (Limited Partnership) (江蘇國有企業混合所有制改革基金(有限合夥)), China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited to subscribe for H Shares of our Company at the Offer Price in an aggregate amount of the Hong Kong dollar equivalent of US$13,500,000 (excluding brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy in respect of such number of H Shares of our Company);

(c) the cornerstone investment agreement dated April 1, 2025 entered into among our Company, Jiangsu Suzhou High-end Equipment Industry Special Mother Fund (Limited Partnership) (江蘇蘇州高端裝備產業專項母基金(有限合夥)), China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited to subscribe for H Shares of our Company at the Offer Price in an aggregate amount of the Hong Kong dollar equivalent of RMB200,000,000 (including brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy in respect of such number of H Shares of our Company);

(d) the cornerstone investment agreement dated April 1, 2025 entered into among our Company, Changshu Southeast Investment Holding Co., Ltd. (常熟市東南投資控股有限公司), China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited to subscribe for H Shares of our Company at the Offer Price in an aggregate amount of HK$301,498,563 (excluding brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy in respect of such number of H Shares of our Company); and

(e) the Hong Kong Underwriting Agreement.

**Intellectual Property Rights**

As of the Latest Practicable Date, our Group has registered the following intellectual property rights which we consider to be material to our Group's business.

***Trademarks***

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

| No. | Trademark Registered | Owner | Registration Number | Place of Registration | Expiry Date |
|---|---|---|---|---|---|
| 1 . . | zenergy Technologies | Suzhou ZENIO | 37892134 | PRC | February 6, 2030 |
| 2 . . | ZENERGY TECHNOLOGIES | Suzhou ZENIO | 38434220 | PRC | February 6, 2030 |
| 3 . . | 正力新能 | Suzhou ZENIO | 67296768 | PRC | January 20, 2034 |
| 4 . . | 正力新能 | Suzhou ZENIO | 63606345 | PRC | November 27, 2033 |
| 5 . . | 正力新能 | Suzhou ZENIO | 71370890 | PRC | November 13, 2033 |
| 6 . . | ZENERGY | Our Company | 71374747 | PRC | December 13, 2033 |
| 7 . . | ZENERGY | Our Company | 65007580 | PRC | November 27, 2033 |
| 8 . . | 正力新能 | Our Company | 65939157 | PRC | March 27, 2033 |
| 9 . . | 正力乾坤 | Our Company | 68762221 | PRC | June 6, 2033 |
| 10 . . | eVTOL CELL | Our Company | 67774665 | PRC | April 20, 2033 |
| 11 . . | eVTOL SYSTEM | Our Company | 67788955 | PRC | April 20, 2033 |

| No. | Trademark Registered | Owner | Registration Number | Place of Registration | Expiry Date |
|---|---|---|---|---|---|
| 12 . . | Zenergy QianKun | Our Company | 68772529 | PRC | June 6, 2033 |
| 13 . . | | Our Company | 65924307 | PRC | March 27, 2034 |
| 14 . . | | Our Company | 306512931 | Hong Kong, the PRC | March 26, 2034 |
| 15 . . | 正力新能 | Our Company | 306512940 | Hong Kong, the PRC | March 26, 2034 |
| 16 . . | ZENERGY | Our Company | 306512959 | Hong Kong, the PRC | March 26, 2034 |

### *Patents*

As of the Latest Practicable Date, we had registered the following patents which we consider to be material to our business:

| No. | Patent Name | Type | Registered Owner | Patent Number | Expiry Date |
|---|---|---|---|---|---|
| 1 . . . | A binder for a Lithium-Ion battery and a Lithium-Ion battery using the binder (一種鋰離子電池用粘結劑及使用該粘結劑的鋰離子電池) | Invention | Our Company | 2016108904427 | October 12, 2036 |
| 2 . . . | A hybrid solid-state battery (一種混合型全固態電池) | Invention | Our Company | 2018107715287 | July 13, 2038 |
| 3 . . . | A Lithium-Ion battery, a Lithium-Ion battery barrier film and its preparation method (一種鋰離子電池、一種鋰離子電池隔離膜及其製備方法) | Invention | Our Company | 2019102052342 | March 18, 2039 |
| 4 . . . | An inorganic fast ionic conductor nanofiber and its preparation method and application (一種無機快離子導體納米纖維及其製備方法和應用) | Invention | Our Company | 2019111431761 | November 20, 2039 |

| No. | Patent Name | Type | Registered Owner | Patent Number | Expiry Date |
|---|---|---|---|---|---|
| 5 . . . | Solid-state electrolyte film, solid-state Lithium-Ion battery and its preparation method (固態電解質膜、固態鋰離子電池及其製備方法) | Invention | Our Company | 2020107935284 | August 10, 2040 |
| 6 . . . | An electrode, battery cell and secondary battery (一種極片、電芯及二次電池) | Invention | Our Company | 2020112204236 | November 5, 2040 |
| 7 . . . | A Lithium-Ion battery (一種鋰離子電池) | Invention | Our Company | 2020113361003 | November 25, 2040 |
| 8 . . . | A heat-conduction coating separator of power battery and its preparation method (一種動力電池導熱塗層隔膜及其製備方法) | Invention | Our Company | 2021109009459 | August 6, 2041 |
| 9 . . . | A hollow silicon-carbon anode material and its preparation method (一種中空結構硅碳負極材料及其製備方法) | Invention | Our Company | 2021108641827 | July 29, 2041 |
| 10 . . | An anode and its preparation method, and a secondary battery (一種負極極片及其製備方法以及一種二次電池) | Invention | Our Company | 2022106958112 | June 20, 2042 |
| 11 . . | A lithium replenishment anode and secondary battery (一種補鋰負極極片和二次電池) | Invention | Our Company | 202210875323X | July 25, 2042 |
| 12 . . | A Lithium-Ion battery (一種鋰離子電池) | Invention | Our Company | 2022108572840 | July 20, 2042 |
| 13 . . | A Lithium-Ion battery and battery pack (一種鋰離子電池及電池組) | Invention | Our Company | 2022106837724 | June 17, 2042 |
| 14 . . | A Lithium-Ion battery and battery pack (一種鋰離子電池、電池包) | Invention | Our Company | 2022106836238 | June 17, 2042 |

| No. | Patent Name | Type | Registered Owner | Patent Number | Expiry Date |
|---|---|---|---|---|---|
| 15 . . | Preparation method of silicon anode material at carbon-containing layer, anode and its preparation method, and Lithium-Ion battery (含碳層硅負極材料的製備方法、負極極片及其製作方法和鋰離子電池) | Invention | Our Company | 2022112290495 | October 9, 2042 |
| 16 . . | A lithium replenishment barrier film, battery cell and secondary battery (一種補鋰型隔離膜、電芯及二次電池) | Invention | Our Company | 2022111932428 | September 28, 2042 |
| 17 . . | A silicon @ carbon-graphite hybrid anode material, hybrid layer anode and its secondary battery (一種硅@碳-石墨複合負極材料、複合層負極片及其二次電池) | Invention | Our Company | 2022114357625 | November 16, 2042 |
| 18 . . | A porous silicon carbon anode material, preparation method and application (一種多孔硅碳負極材料、製備方法以及應用) | Invention | Our Company | 2023100777921 | February 6, 2043 |
| 19 . . | A double-layer cladding oxide material and its preparation and application (一種雙層包覆層狀氧化物材料及其製備和應用) | Invention | Our Company | 2023101575486 | February 23, 2043 |
| 20 . . | An anode of Lithium-Ion battery and its preparation method (一種鋰離子電池負極片及其製備方法) | Invention | Our Company | 2023100870047 | February 7, 2043 |
| 21 . . | MXene-coated cathode materials and its preparation method, cathode and lithium-ion battery (MXene包覆正極材料及其製備方法、正極片和鋰離子電池) | Invention | Our Company | 2023100620662 | January 13, 2043 |

| No. | Patent Name | Type | Registered Owner | Patent Number | Expiry Date |
|---|---|---|---|---|---|
| 22 . . | An anode material and its preparation method and application (一種正極材料及其製備方法與應用) | Invention | Our Company | 2023104778406 | April 28, 2043 |
| 23 . . | An anode and its application (一種正極極片及其應用) | Invention | Our Company | 2023106094834 | May 29, 2043 |
| 24 . . | A silicon-carbon anode material and its application (一種硅碳負極材料及其應用) | Invention | Our Company | 2023107104462 | June 15, 2043 |
| 25 . . | Anode material and its application in sodium-ion secondary battery (負極材料及其在鈉離子二次電池上的應用) | Invention | Our Company | 2023109589773 | August 1, 2043 |
| 26 . . | A solid carbon anode material and its preparation method and application (一種硬碳負極材料及其製備方法與應用) | Invention | Our Company | 2023109957328 | August 9, 2043 |
| 27 . . | A Lithium-Ion secondary battery (一種鋰離子二次電池) | Invention | Our Company | 2023109507190 | July 31, 2043 |
| 28 . . | A cathode material and its preparation method and sodium-ion battery (一種正極材料及其製備方法和鈉離子電池) | Invention | Our Company | 2023116118074 | November 29, 2043 |
| 29 . . | Electrode, battery cell and battery (極片、電芯及電池) | Utility Model | Our Company | 2020208774694 | May 22, 2030 |
| 30 . . | A battery and ESS (一種電池及儲能裝置) | Utility Model | Our Company | 2022212308210 | May 20, 2032 |
| 31 . . | Separator, battery cell and electrical equipment (隔膜、電芯及用電設備) | Utility Model | Our Company | 2022233866325 | December 15, 2032 |
| 32 . . | A Power battery top cover assembly structure and power battery (一種動力電池頂蓋裝配結構及動力電池) | Utility Model | Our Company | 2020213177602 | July 8, 2030 |

| No. | Patent Name | Type | Registered Owner | Patent Number | Expiry Date |
|---|---|---|---|---|---|
| 33 . . | A power battery lower plastic part and top cover assembly structure and power battery (一種動力電池用下塑膠件、頂蓋裝配結構及動力電池) | Utility Model | Our Company | 2020213181379 | July 8, 2030 |
| 34 . . | A power battery plastic part and top cover and power battery (一種動力電池用的塑膠件、動力電池頂蓋及動力電池) | Utility Model | Our Company | 2020216788400 | August 13, 2030 |
| 35 . . | A power battery top cover assembly structure and power battery (一種動力電池頂蓋的裝配結構及動力電池) | Utility Model | Our Company | 2020223110613 | October 16, 2030 |
| 36 . . | A power battery top cover structure and power battery (一種動力電池頂蓋結構及動力電池) | Utility Model | Our Company | 202022381137X | October 23, 2030 |
| 37 . . | A power battery top cover structure and power battery (一種動力電池的頂蓋結構及動力電池) | Utility Model | Our Company | 2020226590400 | November 17, 2030 |
| 38 . . | A battery top cover and battery (一種電池頂蓋及電池) | Utility Model | Our Company | 2020226620088 | November 17, 2030 |
| 39 . . | A battery lower plastic part and top cover and battery (一種電池用的下塑膠件、頂蓋及電池) | Utility Model | Our Company | 2020227555758 | November 25, 2030 |
| 40 . . | A power battery lower plastic part and top cover and power battery (一種動力電池用的下塑膠件、頂蓋及動力電池) | Utility Model | Our Company | 2020230602383 | December 17, 2030 |
| 41 . . | A plastic structure of top cover for power battery, and battery (一種動力電池頂蓋的塑膠結構、頂蓋及電池) | Utility Model | Our Company | 2021207352007 | April 12, 2031 |

| No. | Patent Name | Type | Registered Owner | Patent Number | Expiry Date |
|---|---|---|---|---|---|
| 42 . . | Insulated parts of top cover of battery, and power battery (電池頂蓋絕緣件和動力電池) | Utility Model | Our Company | 2022200667570 | January 11, 2032 |
| 43 . . | Lower plastic and battery (下塑膠和電池) | Utility Model | Our Company | 2022220762205 | August 8, 2032 |
| 44 . . | A lower plastic part and top cover of battery, and battery (一種電池用的下塑膠件、頂蓋及電池) | Utility Model | Our Company | 2022231312086 | November 24, 2032 |
| 45 . . | Battery top cover and battery (電池頂蓋及電池) | Utility Model | Our Company | 2023203750697 | March 3, 2033 |
| 46 . . | A battery top cover component and power battery (一種電池頂蓋組件及動力電池) | Utility Model | Our Company | 2023203778847 | March 3, 2033 |
| 47 . . | A secondary battery plastic part and battery (一種二次電池用的塑膠件及電池) | Utility Model | Our Company | 2023203891055 | March 6, 2033 |
| 48 . . | Battery top cover components, battery cells, battery and electrical equipment (電池頂蓋組件、電池單體、電池及用電設備) | Utility Model | Our Company | 2023205576549 | March 21, 2033 |
| 49 . . | A battery and electrical devices (一種電池及用電裝置) | Utility Model | Our Company | 2023207721157 | April 10, 2033 |
| 50 . . | A battery plastic part, battery top cover, battery and electrical equipment (一種電池塑膠件、電池頂蓋、電池及用電設備) | Utility Model | Our Company | 2023214065203 | June 5, 2033 |
| 51 . . | A top cover component, battery and electrical equipment (一種頂蓋組件、電池及用電設備) | Utility Model | Our Company | 2023218105106 | July 11, 2033 |
| 52 . . | Top cover component (頂蓋組件) | Utility Model | Nanjing Zenergy | 2023222639464 | August 22, 2033 |

| No. | Patent Name | Type | Registered Owner | Patent Number | Expiry Date |
|---|---|---|---|---|---|
| 53 . . | Battery coiled cell protection structure, battery and electrical equipment (電池卷芯防護結構、電池及用電設備) | Utility Model | Our Company | 202322444896X | September 8, 2033 |
| 54 . . | Battery pack and electrical devices (電池包和用電裝置) | Utility Model | Our Company | 2023101429884 | February 21, 2043 |
| 55 . . | A battery (一種電池) | Utility Model | Our Company | 2023202754900 | February 21, 2033 |
| 56 . . | A battery pack (電池包) | Utility Model | Our Company | 2022230150351 | November 11, 2032 |
| 57 . . | A jumper conflux component and battery (一種跨接匯流組件及電池) | Utility Model | Our Company | 2023202744400 | February 21, 2033 |
| 58 . . | A battery pack (電池包) | Utility Model | Our Company | 2022230201688 | November 14, 2032 |
| 59 . . | A battery and electrical equipment (一種電池及用電設備) | Utility Model | Our Company | 2023202746124 | February 21, 2033 |
| 60 . . | A battery and electrical device (一種電池及用電裝置) | Utility Model | Our Company | 2023202744453 | February 21, 2033 |
| 61 . . | A battery pack and electrical device (一種電池包及用電裝置) | Utility Model | Our Company | 2023206948642 | March 31, 2033 |
| 62 . . | A battery and electrical device (一種電池及用電裝置) | Utility Model | Our Company | 2023206944336 | March 31, 2033 |
| 63 . . | Battery thermal management system (電池熱管理系統) | Utility Model | Our Company | 2022225679810 | September 27, 2032 |
| 64 . . | A battery case, battery pack and electrical equipment (一種電池殼體、電池包和用電設備) | Invention | Our Company | 2023113988348 | October 26, 2043 |
| 65 . . | A battery pack, electrical device and battery pack thermal runaway test and control method (一種電池包、用電裝置和電池包的熱失控檢測與控制方法) | Invention | Our Company | 2022111049923 | September 9, 2042 |

| No. | Patent Name | Type | Registered Owner | Patent Number | Expiry Date |
|---|---|---|---|---|---|
| 66 . . | A battery module, battery pack, electrical device and battery module temperature control method (一種電池模組、電池包、用電裝置和電池模組的溫度控制方法) | Invention | Our Company | 2022111050032 | September 9, 2042 |
| 67 . . | A filling method for inner flat layer at explosion-proof valve of battery cell case, devices and battery cells (一種電芯外殼的防爆閥處內平層灌封方法、裝置和電芯) | Invention | Our Company | 2022111053806 | September 9, 2042 |
| 68 . . | A battery module, battery pack, electrical device and battery module manufacturing equipment (一種電池模組、電池包、用電裝置和製造電池模組的設備) | Utility Model | Our Company | 2022224116476 | September 9, 2032 |
| 69 . . | A battery pack case, battery pack, electrical device and equipment for manufacturing battery pack (一種電池包箱體、電池包、用電裝置和製造電池包的設備) | Utility Model | Our Company | 2022224089055 | September 9, 2032 |
| 70 . . | A battery module, battery pack, electrical device and equipment for manufacturing battery module (一種電池模組、電池包、用電裝置和製造電池模組的設備) | Utility Model | Our Company | 2022224091375 | September 9, 2032 |
| 71 . . | A battery pack case, battery pack, electrical device and equipment for manufacturing battery pack (一種電池包箱體、電池包、用電裝置和製造電池包的設備) | Utility Model | Our Company | 2022224089021 | September 9, 2032 |

| No. | Patent Name | Type | Registered Owner | Patent Number | Expiry Date |
|---|---|---|---|---|---|
| 72 . . | A battery pack case, battery pack, electrical device and equipment for manufacturing battery pack (一種電池包箱體、電池包、用電裝置和製造電池包的設備) | Utility Model | Our Company | 2022224116029 | September 9, 2032 |
| 73 . . | A battery pack case, battery pack, electrical device and equipment for manufacturing battery pack (一種電池包箱體、電池包、用電裝置和製造電池包的設備) | Utility Model | Our Company | 2022224090226 | September 9, 2032 |
| 74 . . | A battery cell, battery module and battery pack (一種電芯、電池模組和電池包) | Invention | Our Company | 2022105015953 | May 9, 2042 |
| 75 . . | A Lithium-Ion secondary battery and electrical device (一種鋰離子二次電池及用電裝置) | Invention | Our Company | 2022106312779 | June 6, 2042 |
| 76 . . | A battery and electrical device (一種電池和用電裝置) | Invention | Our Company | 2022109680490 | August 12, 2042 |
| 77 . . | A cathode and its preparation method and Lithium-Ion battery (一種正極極片及其製備方法和鋰離子電池) | Invention | Our Company | 2022115035239 | November 29, 2042 |
| 78 . . | A manganese-nickel bimetallic compound as well as its preparation and application (一種錳鎳雙金屬化合物及其製備和應用) | Invention | Our Company | 2023104760722 | April 28, 2043 |
| 79 . . | A cylindrical battery and its can-cap component (一種圓柱電池及其蓋帽組件) | Invention | Our Company | 2022104058951 | April 18, 2042 |
| 80 . . | A battery can-cap structure, battery, electrical device and the preparation method of battery (一種電池蓋帽結構、電池、用電裝置及電池的製備方法) | Invention | Our Company | 2022108094139 | July 11, 2042 |

| No. | Patent Name | Type | Registered Owner | Patent Number | Expiry Date |
|---|---|---|---|---|---|
| 81 . . | A pouch battery and its forming method (一種軟包電池及軟包電池的成型方法) | Invention | Our Company | 2022112345479 | October 10, 2042 |
| 82 . . | A surface treatment device for battery top cover (一種電池頂蓋的表面處理裝置) | Invention | Our Company | 2022113425964 | October 31, 2042 |
| 83 . . | A cylindrical battery and electrical equipment (一種圓柱電池及用電設備) | Invention | Our Company | 202310507071X | May 8, 2043 |
| 84 . . | Battery, battery module and electrical equipment (電池、電池模組及用電設備) | Invention | Our Company | 2023115727037 | November 23, 2043 |
| 85 . . | Battery connector, battery and electrical equipment (電池轉接組件、電池及用電設備) | Invention | Our Company | 202311573042X | November 23, 2043 |
| 86 . . | An anode material and its preparation method and application (一種負極材料及其製備方法和用途) | Invention | Our Company | 2019108748070 | September 17, 2039 |
| 87 . . | A modified anode material and its preparation method and application (一種改性負極材料及其製備方法和用途) | Invention | Our Company | 2019110876645 | November 8, 2039 |
| 88 . . | An anode, its preparation method and secondary battery (一種負極片及其製備方法和二次電池) | Invention | Our Company | 2022106461805 | June 9, 2042 |
| 89 . . | Silicon-based anode and secondary battery and electrical devices equipped with such anode (硅基負極極片及含該負極極片的二次電池、用電裝置) | Invention | Our Company | 202210726306X | June 24, 2042 |
| 90 . . | An anode material, its preparation method, anode and Lithium-Ion battery (一種負極材料、其製備方法、負極片及鋰離子電池) | Invention | Our Company | 2022110141477 | August 23, 2042 |

*Copyrights*

As of the Latest Practicable Date, we have the following copyrights which we consider to be or may be material to our business:

| No. | Copyright Name | Registered Owner | Registration Number | Registration Date |
|---|---|---|---|---|
| 1.. | HEV high speed ultrasonic soldering mark visual inspection system (Soldering mark visual inspection system V1.0) (HEV高速超聲波焊印視覺檢測系統(簡稱:焊印視覺檢測系統)V1.0) | Our Company | 2023SR0579501 | June 5, 2023 |
| 2.. | Online detection and control software for new energy battery pack V1.0 (新能源電池組在線檢測控制軟件V1.0) | Suzhou ZENIO | 2018SR414474 | June 4, 2018 |
| 3.. | New energy battery pack liquid-cooled control manufacturing line control software V1.0 (新能源電池組液冷控制生產線控制軟件V1.0) | Suzhou ZENIO | 2018SR414456 | June 4, 2018 |
| 4.. | New energy battery pack status monitoring manufacturing line control software V1.0 (新能源電池組狀態監控生產線控制軟件V1.0) | Suzhou ZENIO | 2018SR415964 | June 5, 2018 |
| 5.. | Suzhou ZENIO battery pack electrical performance test manufacturing line control software V1.0 (正力蔚來新能源電池組電性能測試生產線控制軟件V1.0) | Suzhou ZENIO | 2018SR419308 | June 5, 2018 |

### *Domain Name*

As of the Latest Practicable Date, we have the following registered internet domain name which we consider to be or may be material to our business:

| No. | Domain Name | Registered Owner | Expiry Date |
|---|---|---|---|
| 1 . . . . . . . . . . . . . . . . . . . . . . . . | zenergy.cn | Our Company | January 28, 2028 |

Save as the above, as of the Latest Practicable Date, there were no other intellectual property rights which were material to our business.

## FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

### Interests and short positions of our Directors, Supervisors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and our associated corporations

Save as disclosed in the section headed "Substantial Shareholders" and below, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), so far as our Directors are aware, none of our Directors, Supervisors and chief executives has any interests and short positions in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) (i) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or (ii) which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules:

| | | As of the Latest Practicable Date | | Immediately following the Global Offering (assuming the Over-allotment Option is not exercised) | | |
|---|---|---|---|---|---|---|
| Name of Shareholder | Nature of Interest | Number of Shares | Approximate percentage of shareholding in our total share capital | Number of Shares(1) | Approximate percentage of shareholding in Unlisted Shares/ H Shares(2) | Approximate percentage of shareholding in our total share capital(2) |
| Ms. Cao(3) . . . . . . . | Interest in controlled corporations | 1,159,012,918 | 48.56% | 598,319,817 Unlisted Shares (L) | 55.96% | 23.85% |
| | | | | 560,693,101 H Shares (L) | 38.95% | 22.35% |

| Name of Shareholder | Nature of Interest | As of the Latest Practicable Date: Number of Shares | As of the Latest Practicable Date: Approximate percentage of shareholding in our total share capital | Immediately following the Global Offering (assuming the Over-allotment Option is not exercised): Number of Shares(1) | Approximate percentage of shareholding in Unlisted Shares/ H Shares(2) | Approximate percentage of shareholding in our total share capital(2) |
|---|---|---|---|---|---|---|
| | Interest in parties acting in concert through a controlled corporation | 382,946,254 | 16.04% | – | – | – |
| Dr. Chen(3) . . . . . . . | Interest in controlled corporations | 1,159,012,918 | 48.56% | 598,319,817 Unlisted Shares (L) | 55.96% | 23.85% |
| | | | | 560,693,101 H Shares (L) | 38.95% | 22.35% |
| | Interest in parties acting in concert through a controlled corporation | 382,946,254 | 16.04% | – | – | – |

*Notes:*

(1) The letter "L" denotes the person's long position in the Shares.

(2) The calculation is based on the total number of 1,069,127,364 Unlisted Shares and 1,439,372,739 H Shares in issue immediately after completion of the Global Offering since 1,317,849,039 Unlisted Shares will be converted into H Shares and 121,523,700 H Shares will be issued pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised.

(3) Ms. Cao and Dr. Chen: (i) hold Zenergy Investment as to 42% and 46% directly and as to 12% indirectly through SINOGY VC; (ii) hold SINOGY VC as to 52% and 48%; (iii) hold Zhengli Consulting as to 50% each, thereby controlling the general partnership interests in Nanjing Miaode and Nanjing Xuande; (iv) are the general partners of Zhengli No. 1 and Zhengli No. 2.

Therefore, by virtue of the SFO: (i) Zhengli Consulting is deemed to be interested in the Shares held by Nanjing Miaode and Nanjing Xuande (which holds 2.33% of the total issued share capital of our Company as of the Latest Practicable Date); and (ii) Ms. Cao and Dr. Chen are deemed to be interested in the Shares held by Zenergy Investment, SINOGY VC, Nanjing Miaode, Nanjing Xuande, Zhengli No. 2 (which holds 0.84% of the total issued share capital of our Company as of the Latest Practicable Date), and Zhengli No. 1 (which holds 0.15% of the total issued share capital of our Company as of the Latest Practicable Date).

According to the AIC Agreements and Voting Proxy Agreements entered into between Zenergy Investment and the Financial Investors in 2021 and 2022, the Financial Investors agreed to: (i) pursuant to the AIC Agreements, exercise their voting rights or express their opinions based on and in the same manner as Zenergy Investment for key corporate decisions, including but not limited to our Company's operations and investment planning, the appointment, remuneration and replacement of directors and supervisors, changes to registered capital, merger, demerger, dissolution or liquidation, and the amendment of articles of association; and (ii) pursuant to the Voting Proxy Agreements, irrevocably grant proxy of voting rights to Zenergy Investment where resolutions by way of shareholders' meeting are required in accordance with the applicable laws, regulations and corporate governance rules for matters relating to our Company's day-to-day operations management and development, IPO and financing.

Since Ms. Cao and Dr. Chen are deemed to be interested in the Shares held by Zenergy Investment, as of the Latest Practicable Date, they are also entitled to exercise control over the equity interests held by the Financial Investors, which amounts to 16.04% of the total issued share capital of our Company. Therefore, as of the Latest Practicable Date, Ms. Cao and Dr. Chen are collectively deemed to be interested in a total of 64.60% of the total issued share capital of our Company under the SFO. The AIC Agreements and Voting Proxy Agreements will terminate upon Listing. As such, immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Ms. Cao and Dr. Chen will be deemed under the SFO to be interested in the Shares held by the Management Shareholders only.

**Interests of the substantial shareholders in the Shares**

Save as disclosed in "Substantial Shareholders", immediately following the completion of the Global Offering and without taking into account any H Shares which may be issued pursuant to the exercise of the Over-allotment Option, our Directors are not aware of any other person who will have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

**Interests of the substantial shareholders in other members of our Group**

As of the Latest Practicable Date, our Directors are not aware of any persons who would, immediately following the completion of the Global Offering, be directly or indirectly interested in 10% or more of the issued voting shares of the other members of our Group (other than our Company).

**Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters**

We have entered into a service contract or a letter of appointment with each of our Directors and Supervisors in respect of, among other things, compliance with the relevant laws and regulations and the Articles of Association.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (other than contracts expiring or determinable by the employer within one year without any payment of compensation (other than statutory compensation)).

**Remuneration of Directors and Supervisors**

Save as disclosed in "Directors, Supervisors and Senior Management" and Note 8 to the Accountants' Report set out in Appendix I to this Prospectus, none of our Directors or Supervisors received other remunerations of benefits in kind from us for the financial years ended December 31, 2021, 2022, 2023 and 2024.

Under the arrangement currently in force, we estimate that the aggregate remuneration payable to, including any benefits in kind receivable by, our Directors and Supervisors by any member of our Group in respect of the year ending December 31, 2025 is approximately RMB6.7 million.

Save as disclosed above, there is no arrangement under which any Director or Supervisor has waived or agreed to waive any remuneration or benefits in kind during the Track Record Period.

**Disclaimers**

Save as disclosed in this Prospectus:

(a) save as disclosed in "History, Reorganization and Corporate Structure," none of our Directors or Supervisors has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this Prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group taken as a whole; and

(c) without taking into account any Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at Shareholders' meetings of any member of our Group in the Shares or underlying Shares of our Company.

## PRE-IPO EQUITY INCENTIVE PLANS

The following is a summary of the principal terms of the Pre-IPO Equity Incentive Plans. The terms of the Pre-IPO Equity Incentive Plans are not subject to the provisions of Chapter 17 of the Listing Rules as each of the Pre-IPO Equity Incentive Plans does not involve the grant of new options or awards by our Company after the Listing. The Pre-IPO Equity Incentive Plans will not cause any dilution of the shareholding of our Shareholders after the Listing given all underlying Shares of the options and awards granted under the Pre-IPO Equity Incentive Plans have been issued to the Equity Incentive Platforms.

## 1. Share Option Plan

*Purpose*

The main purpose of the Share Option Plan is to improve the incentive mechanism of the Group, further enhance the work enthusiasm and creativity of the participants thereto, promote the continued growth of the performance of the Group, and bring economic benefits to the participants while enhancing the value of the Group, so as to realize the common development of the participants and the Group.

*Administration*

For the purpose of implementing the Share Option Plan, the share incentive administration group (the "**Administration Group**"), as approved by the shareholders in general meeting of the Company, shall be the management body of the Share Option Plan and shall be specifically responsible for the implementation of the Share Option Plan in accordance with its provisions.

*Eligible Participants*

Unless determined by the Administration Group, the eligible participants under the Share Option Plan shall be personnel at D1 level of position with at least one-year employment with the Company, B level or above of performance appraisal for the recent year, and fulfillment of results assessment requirements at the Company-level and personal-level.

*Form of Awards under the Share Option Plan*

The participants shall subscribe for partnership interests of the Equity Incentive Platforms, which are limited partnerships, as partners according to the number of options granted under the Share Option Plan, thereby indirectly holding the Shares underlying the options by virtue of their capacity as partners of the relevant Equity Incentive Platform.

*Rights Attached to Options*

The general partner(s) of the Equity Incentive Platforms shall exercise voting rights on behalf of the eligible participants under the Share Option Plan in respect of the Shares underlying the options. The participants have the rights to any dividends or distributions from any Shares underlying the options.

**2. Share Incentive Plan**

***Purpose***

The main purpose of the Share Incentive Plan is to improve the incentive mechanism of the Group, further enhance the work enthusiasm and creativity of the participants thereto, promote the continued growth of the performance of the Group, and bring economic benefits to the eligible participants under the Share Incentive Plan while enhancing the value of the Group, so as to realize the common development of the eligible participants under the Share Incentive Plan and the Group.

***Administration***

The Board is responsible for the day-to-day management and implementation of the Share Incentive Plan, and may, based on specific needs, establish a working group (the "**Working Group**") for the Share Incentive Plan, which will be responsible for the implementation and management of the Share Incentive Plan.

***Eligible Participants***

The eligible participants under the Share Incentive Plan include Directors, senior management, backbone employees across the departments of the Company, new employees who are essential to the development of the Company, other participants as determined by the executive Directors/Board.

***Form of Awards under the Share Incentive Plan***

The participants shall subscribe for partnership interests of the Equity Incentive Platforms, which are limited partnerships, as partners according to the number of awards granted under the Pre-IPO Equity Incentive Scheme, thereby indirectly holding the Shares and/or restricted Shares of our Company by virtue of their capacity as partners of the relevant Equity Incentive Platform.

***Lock-up Period and Transfer Restrictions***

Certain awards shall be subject to a lock-up period ending upon the date of successful listing of the Company, and certain other awards will be subject to a lock-up period ending upon (a) the date of successful IPO of the Company or (b) three years from the date of the grant, whichever is the later. Upon the expiration of such lock-up period, the Working Group shall determine whether the release conditions as agreed under the relevant agreement(s) for the award of restricted Shares and the Share Incentive Plan are met.

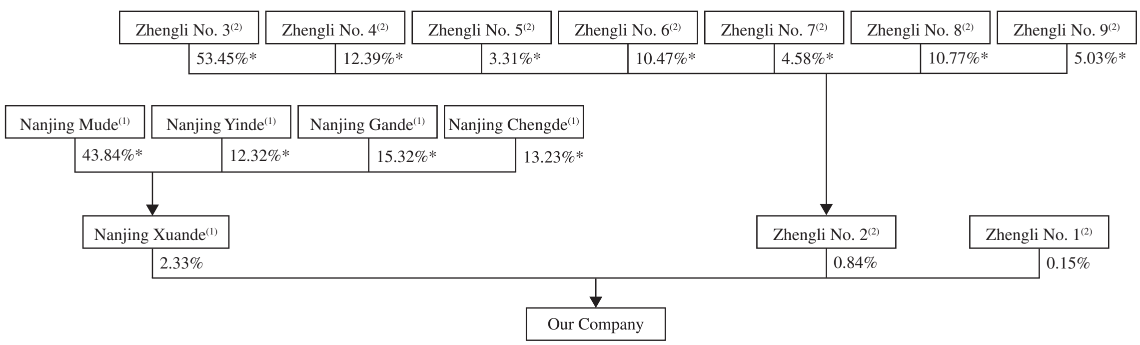
Prior to the listing of the Company, except as otherwise reviewed and approved by the Working Group, the grantees shall not directly or indirectly dispose the partnership interests held in the Equity Incentive Platforms.

### *Rights Attached to Awards*

The general partner(s) of the Equity Incentive Platforms shall exercise voting rights on behalf of the eligible participants under the Share Incentive Plan in respect of the Shares underlying the awards. The eligible participants under the Share Incentive Plan have the rights to any dividends or distributions from any Shares underlying the awards.

### Structure of the Equity Incentive Platforms

The structure of the Pre-IPO Equity Incentive Plans as at the Latest Practicable Date is set out below.




* representing limited partnership interests

*Notes:*

(1) Nanjing Xuande is held as to approximately (i) 0.01% by Zhengli Consulting as its general partner, (ii) 43.84%, 12.32%, 15.32% and 13.23% by Nanjing Mude, Nanjing Yinde, Nanjing Gande and Nanjing Chengde as limited partners, respectively, and (iii) 15.29% by a former employee of Jiangsu TAFEL as a limited partner.

Nanjing Mude is held as to approximately (i) 16.18% by Zhengli Consulting as its general partner, (ii) 71.05% by 15 employees, including former employees, who have participated ("**Participant(s)**") in the Share Option Plan as limited partners, and (iii) 12.77% by a former employee of Jiangsu TAFEL as a limited partner.

Nanjing Yinde is held as to approximately (i) 29.14% by Zhengli Consulting as its general partner, (ii) 27.66% by 13 Participants of the Share Option Plan as limited partners, and (iii) 43.19% by a former employee of Jiangsu TAFEL as a limited partner.

Nanjing Gande is held as to approximately (i) 22.51% by Zhengli Consulting as its general partner, (ii) 60.14% by 19 Participants of the Share Option Plan as limited partners, and (iii) 17.35% by a former employee of Jiangsu TAFEL as a limited partner.

Nanjing Chengde is held as to approximately (i) 27.71% by Zhengli Consulting as its general partner, (ii) 58.90% by 16 Participants of the Share Option Plan as limited partners, and (iii) 13.39% by a former employee of Jiangsu TAFEL as a limited partner.

The minority limited partnership interests held by the former employees of Jiangsu TAFEL in the above Equity Incentive Platforms are not equity incentives granted under the Pre-IPO Equity Incentive Plans and such former employees are not Participants of the Pre-IPO Equity Incentive Plans. The reason for the non-participants' interests in the Equity Incentive Platforms is that the aforementioned limited partnerships were historically direct or indirect shareholders of Jiangsu TAFEL; through such limited partnerships, certain employees of Jiangsu TAFEL had held their minority interests in Jiangsu TAFEL since its early stage of development. Such minority limited partnership interests became indirect interests in the Company after all the then shareholders of Jiangsu TAFEL (including the Equity Incentive Platforms) became shareholders of the Company in December 2021 as part of the Business Reorganization, details of which are set out in "History, Reorganization and Corporate Structure—Corporate Development and Major Shareholding Changes—3. Business Reorganization of Our Group."

(2) Zhengli No. 1 is held as to approximately (i) 3.47% and 0.003% by Ms. Cao and Dr. Chen as general partners, respectively, and (ii) 96.53% by 28 Participants of the Share Incentive Plan as limited partners.

Zhengli No. 2 is held as to approximately (i) 0.001% by Ms. Cao and Dr. Chen as general partners, respectively, and (ii) 53.45%, 12.39%, 3.31%, 10.47%, 4.58%, 10.77% and 5.03% by Zhengli No. 3, Zhengli No. 4, Zhengli No. 5, Zhengli No. 6, Zhengli No. 7, Zhengli No. 8 and Zhengli No. 9 as limited partners, respectively.

Zhengli No. 3 is held as to approximately (i) 1.19% and 0.001% by Ms. Cao and Dr. Chen as general partners, respectively, and (ii) 98.81% by 44 Participants of the Share Incentive Plan as limited partners.

Zhengli No. 4 is held as to approximately (i) 0.88% and 0.004% by Ms. Cao and Dr. Chen as general partners, respectively, and (ii) 99.12% by 41 Participants of the Share Incentive Plan as limited partners.

Zhengli No. 5 is held as to approximately (i) 7.35% and 0.02% by Ms. Cao and Dr. Chen as general partners, respectively, and (ii) 92.64% by 25 Participants of the Share Incentive Plan as limited partners.

Zhengli No. 6 is held as to approximately (i) 0.97% and 0.01% by Ms. Cao and Dr. Chen as general partners, respectively, and (ii) 99.02% by 25 Participants of the Share Incentive Plan as limited partners.

Zhengli No. 7 is held as to approximately (i) 0.23% and 0.01% by Ms. Cao and Dr. Chen as general partners, respectively, and (ii) 99.76% by 22 Participants of the Share Incentive Plan as limited partners.

Zhengli No. 8 is held as to approximately (i) 2.79% and 0.01% by Ms. Cao and Dr. Chen as general partners, respectively, and (ii) 97.21% by 31 Participants of the Share Incentive Plan as limited partners.

Zhengli No. 9 is held as to approximately (i) 2.00% and 0.01% by Ms. Cao and Dr. Chen as general partners, respectively, and (ii) 97.2% by 36 Participants of the Share Incentive Plan as limited partners.

**Details of shares held by the Equity Incentive Platforms and interests granted under the Equity Incentive Plans**

As of the date of this Prospectus, all partnership interests in the Equity Incentive Platforms have been granted to, vested in and subscribed by the partners, and the relevant registration had been completed. The Equity Incentive Platforms held a total of 79,124,975 Shares in our Company representing approximately 3.31% of the total issued shares of our Company, of which:

(i) 51,741,152 Shares have been utilized for granting options or awards (all of which have been vested) to Participants of the Pre-IPO Equity Incentive Plans in the form of limited partnership interests in the Equity Incentive Platforms;

(ii) 10,329,730 Shares are indirectly held by Ms. Cao and Dr. Chen in their capacity as general partners of the Equity Incentive Platforms, which become beneficially held by Ms. Cao and Dr. Chen in accordance with the terms of the Pre-IPO Equity Incentive Plans, and not used for any further grant after the Listing. Accordingly, no new options or awards will be further granted after the Listing pursuant to the Pre-IPO Equity Incentive Plans; and

(iii) 17,054,093 Shares are indirectly held by certain former employees of Jiangsu TAFEL (who are not Participants of the Pre-IPO Equity Incentive Plans) in the form of limited partnership interests in the Equity Incentive Platforms.

Details of grants made under (i) above (i.e. vested options and awards granted to Directors, Supervisors, senior management and connected persons under the Pre-IPO Equity Incentive Plans are set out below:

| Name | Percentage of capital contribution in relevant Equity Incentive Platform | | | | | | | | | | | | | Approximate number of Shares corresponding to partnership interests held in the Equity Incentive Platforms(1) | Approximate shareholding percentage of total issued Shares immediately prior to the Listing(2) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nanjing Mude | Nanjing Yinde | Nanjing Gande | Nanjing Chengde | Zhengli No. 1 | Zhengli No. 2 | Zhengli No. 3 | Zhengli No. 4 | Zhengli No. 5 | Zhengli No. 6 | Zhengli No. 7 | Zhengli No. 8 | Zhengli No. 9 | | |
| **Director** | | | | | | | | | | | | | | | |
| Dr. Yu Zhexun (于哲勛) . . . . . | – | – | 6.4772% | – | – | – | – | – | – | 23.8688% | – | – | – | 1,052,297 | 0.04% |
| **Supervisors** | | | | | | | | | | | | | | | |
| Mr. Yu Yang (于洋) . . | – | – | – | – | – | – | 0.4677% | – | – | – | – | – | – | 50,000 | 0.0021% |
| Mr. Jiang Dongfeng (姜東峰) . . . . . | – | – | – | – | – | – | 2.3387% | – | – | – | – | – | – | 250,000 | 0.01% |
| **Senior management of the Company *(other than Directors)*** | | | | | | | | | | | | | | | |
| Mr. Tang Jia (唐佳) . . | – | – | – | – | 26.0021% | – | 10.2904% | – | – | – | – | – | – | 2,000,000 | 0.08% |
| Mr. Liang Wangchun (梁旺春) . . . . . | – | – | – | – | – | – | 9.3549% | – | – | – | – | – | – | 1,000,000 | 0.04% |
| **Connected persons of the Company(3)** . . | 0.6951% | – | – | – | – | – | 8.4194% | – | 1.5088% | – | – | – | – | 1,079,630 | 0.05% |
| **Other grantees** . . . | 70.3510% | 27.6642% | 53.6626% | 58.9033% | 70.5278% | – | 67.9342% | 99.1175% | 91.1299% | 75.1550% | 99.7596% | 97.2048% | 97.9904% | 46,349,224 | 1.94% |

* representing general partnership interests indirectly held by Ms. Cao and Dr. Chen.

*Notes:*

(1) To illustrate the indirect interests of grantees in the Shares, the number of Shares are presented and calculated by multiplying the relevant percentage of their partnership interests in the Equity Incentive Platforms by the total number of Shares held by such relevant Equity Incentive Platforms.

(2) For details of the conversion of Unlisted Shares to H Shares held by the Equity Incentive Platforms, please refer to "History, Reorganization and Corporate Structure—Capitalization".

(3) Include Mr. Lin Sen (林森), a supervisor of our subsidiaries, and Mr. Wu Shigang (吳仕剛), a director of our subsidiaries.

## OTHER INFORMATION

### Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to be imposed on our Company or any of our subsidiaries.

### Litigation

As of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration, administrative proceedings or claims of material importance, and, so far as we are aware, no litigation, arbitration, administrative proceedings or claims of material importance are pending or threatened against any member of our Group.

### Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred any material preliminary expenses.

### Promoter

All of the promoters of the Company are the then Shareholders as at June 18, 2024 immediately before our conversion into a joint stock limited liability company. Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the Global Offering or the related transactions described in this Prospectus.

### Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the seller and purchaser is HK$1.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

### No Material Adverse Change

Our Directors confirm that up to Latest Practicable Date, there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2024, being the end of the period reported on as set out in the Accountants' Report included in Appendix I to this Prospectus.

**Qualifications of Experts**

The qualifications of the experts who have given opinions or advice in this Prospectus are as follows:

| Name | Qualification |
|---|---|
| China International Capital Corporation Hong Kong Securities Limited | A licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO |
| CMB International Capital Limited | A licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO |
| Ernst & Young | Certified Public Accountants and Registered Public Interest Entity Auditor |
| Fangda Partners | PRC legal adviser |
| Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. | Independent industry consultant |
| Guangdong Scihead Law Firm | Special intellectual property counsel to our Company |

Save as disclosed in this Prospectus, as of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

**Consents of Experts**

Each of the experts as referred to "—Qualifications of Experts" in this Appendix has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein the form and context in which it is respectively included.

**Joint Sponsors**

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

China International Capital Corporation Hong Kong Securities Limited, one of the Joint Sponsors, is a wholly-owned subsidiary of China International Capital Corporation (International) Limited (中國國際金融(國際)有限公司), which is in turn a wholly-owned subsidiary of China International Capital Corporation Limited. CICC Capital Management Co., Ltd., a wholly-owned subsidiary of China International Capital Corporation Limited, is the general partner of CICC SAIC Investment. As at the date of this Prospectus, China International Capital Corporation Limited is deemed to hold approximately 1.65% of the equity interest of our Company through CICC SAIC Investment. CICC SAIC Investment will hold approximately 1.57% of the equity interest of the Company immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised. Therefore, as at the Latest Practicable Date and upon the completion of the Global Offering, the sponsor group and any director or close associate of a director of the sponsor collectively holds or will hold, directly or indirectly, no more than 5% of the number of issued shares of our Company.

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Each of the Joint Sponsors will receive a fee of US$300,000 for acting as a sponsor for the Listing. As of the Latest Practicable Date, US$150,000 remained payable by the Company to each of the Joint Sponsors.

**Restriction on Share Repurchase**

For details of the restrictions on share repurchases by our Company, see Appendix III to this Prospectus.

**Binding Effect**

This Prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**Bilingual Prospectus**

The English and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**Miscellaneous**

Save as otherwise disclosed in this Prospectus:

(a) within the two years preceding the date of this Prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued, or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Company or any of our subsidiaries; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company;

(b) there are no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries;

(c) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;

(d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Prospectus;

(e) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(f) our Company has no outstanding convertible debt securities or debentures;

(g) there is no arrangement under which future dividends are waived or agreed to be waived;

(h) none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(i) our Company is a joint stock limited company and is subject to the PRC Company Law; and

(j) our Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules.

## DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to in "Statutory and General Information—Further Information about Our Business—Summary of Material Contracts" in Appendix IV to this Prospectus; and

(b) the written consents referred to in "Statutory and General Information—Other Information—Consents of Experts" in Appendix IV to this Prospectus.

## DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website at **www.hkexnews.hk** and the Company's website at **www.zenergy.cn** during a period of 14 days from the date of this Prospectus:

(a) the Articles of Association;

(b) the audited consolidated financial statements of our Group for the years ended December 31, 2021, 2022, 2023 and 2024;

(c) the Accountants' Report from Ernst & Young, the text of which is set out in Appendix I to this Prospectus;

(d) the report from Ernst & Young on the unaudited pro forma financial information of our Group as at December 31, 2024, the text of which is set out in Appendix II to this Prospectus;

(e) the material contracts referred to in "Statutory and General Information—Further Information about our Business—Summary of Material Contracts" in Appendix IV to this Prospectus;

(f) the written consents referred to in "Statutory and General Information—Other Information—Consents of Experts" in Appendix IV to this Prospectus;

(g) the service contracts and letters of appointment referred to in "Statutory and General Information—Further Information about our Directors, Supervisors, Senior Management and Substantial Shareholders—Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters" in Appendix IV to this Prospectus;

(h) the legal opinions issued by Fangda Partners, our PRC Legal Adviser, in respect of, among other things, the general corporate matters and property interests of our Group under the PRC law;

(i) the industry report issued by Frost & Sullivan referred to in "Industry Overview";

(j) the legal opinion issued by Guangdong Scihead Law Firm, our special intellectual property counsel, in respect certain aspects of the intellectual property matters of our Group; and

(k) a copy of the following PRC laws, together with unofficial English translations:

  (i) the PRC Company Law;

  (ii) the PRC Securities Law; and

  (iii) the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies.

ZENERGY

江蘇正力新能電池技術股份有限公司

Jiangsu Zenergy Battery Technologies Group Co., Ltd.