Application Proof of

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)

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

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Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to adjustment)**
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Maximum [REDACTED]	**:**	**HK$[REDACTED] 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 [REDACTED] in Hong Kong dollars and subject to refund)**
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OVERVIEW

Who We Are

We are a leading EV and ESS battery manufacturer in China, committed to developing a multi-pathway portfolio of market-driven and technology-fueled 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 omni-scenarios of land, sea and air ("**LISA**").

We are one of the few companies among China's top ten power battery manufacturers founded upon deep-rooted heritage and experience in the auto part industry (as measured by 2023 installation capacity, according to Frost & Sullivan). With extensive professional and industry expertise of our core management, we have developed profound insights into the automobile industries. With deep understanding of OEM customers' demands for optimized balance among safety, quality, performance, and cost efficiency, we established our "5-3-1" R&D strategy based on our integrated product development ("**IPD**") process. This has enabled us to develop multi-pathway EV battery products as our core business, and to proactively conduct R&D on aviation battery products, positioning us at the forefront of application scenario expansion and rapid technological advancements in the battery industry.

Market Ranking

According to Frost & Sullivan, in China:

- we ranked 10th largest player in EV battery market, 7th largest player in LFP EV battery market, and 8th largest player in NCM EV battery market in terms of 2023 EV battery installation capacity.

- 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).

- we experienced the second fastest growth in overall EV battery installation capacity among the top ten EV battery companies in China (as measured by EV battery installation capacity for the three months ended March 31, 2024), the fastest growth in LFP EV battery installation capacity among the top ten LFP EV battery companies (as measured by LFP EV battery installation capacity for the three months ended March 31, 2024), and the second fastest growth in terms of NCM EV battery installation capacity among the top ten NCM EV battery companies (as measured by NCM EV battery installation capacity for the three months ended March 31, 2024) from the three months ended March 31, 2023 to the three months ended March 31, 2024.

Market Opportunities

The global EV battery market experienced steady growth in installation capacity in recent years, and is expected to further grow from 716.0 GWh in 2023 to 3,513.1 GWh in 2028, representing a CAGR of 37.5%, according to Frost & Sullivan. In China, EV battery installation capacity is expected to grow from 389.0 GWh in 2023 to 1,943.3 GWh in 2028, representing a CAGR of 37.9%.

Despite its growth in installation capacity, 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 profound 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. 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: according to Frost & Sullivan, in China, the proportion of NCM batteries was 65.0% of all EV Batteries in 2019, whereas the proportion of LFP batteries reached 67.1% of all EV Batteries in 2023.

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. According to Frost & Sullivan, the market penetration rate of BEVs in China was 22.2% in 2023 in terms of sales volume, and the sales volume is expected to grow at a CAGR of 12.1% from 2023 to 2028. In contrast, the total market share of PHEVs (including EREVs) in China was 9.3% in 2023, and the sales volume is expected to grow at a CAGR of 38.6% from 2023 to 2028, indicating that PHEVs are poised for faster growth compared to BEVs and will surpass BEVs in sales volume in 2025.

Challenges to EV Battery Manufacturers

The rapidly changing market environment requires battery manufacturers to provide diversified product solutions, posing new challenges to their flexibility in product development. In the early stages of industry development, to meet the stable supply 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, according to Frost & Sullivan. 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.

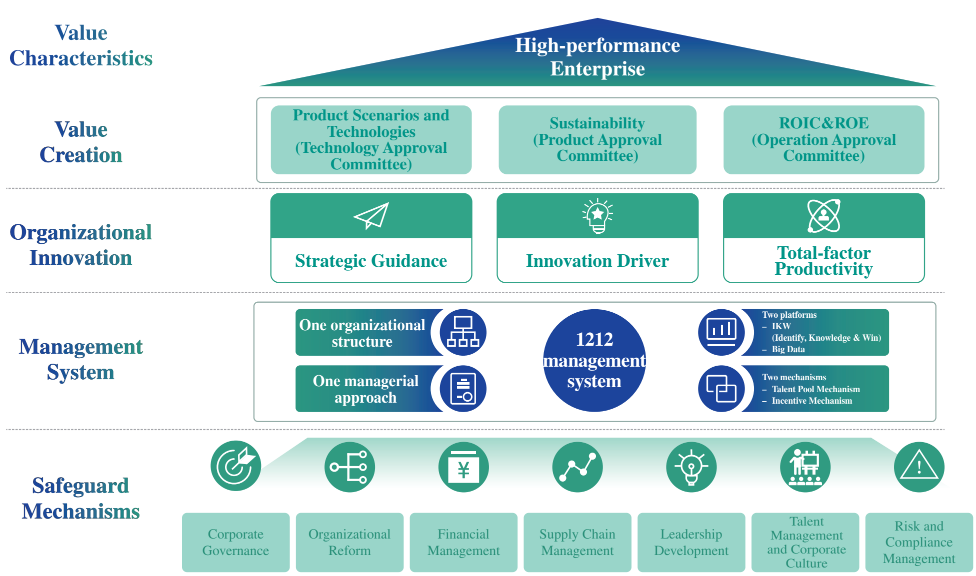
As a result, EV battery manufacturers that are fully market-driven, with the flexibility to easily adapt to technology shifts through the adoption of highly efficient and flexible manufacturing lines, and have products and manufacturing capabilities that cover a multi-pathway high quality and low cost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

Our Differentiated Approach

We are one of the very few players among China's top ten largest EV battery manufacturers (as measured by installation capacity in 2023) that have deep-rooted heritage and experience in the auto part industry. Leveraging our profound insights into OEMs' requirements and preferences to strike the optimal balance among product safety, quality, performance, and cost efficiency, we have developed the following approaches:

- *Innovative 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.

- *Win-win strategy along the industry value chain*. Adhering to the win-win strategy, 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 IPD 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.

- *Multi-pathway and omni-scenario product portfolio.* We offer a multi-pathway portfolio of market-driven and technology-fueled battery products, dedicated to large-scale applications to interconnect omni-scenarios of land, sea and air. 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 software-defined 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.

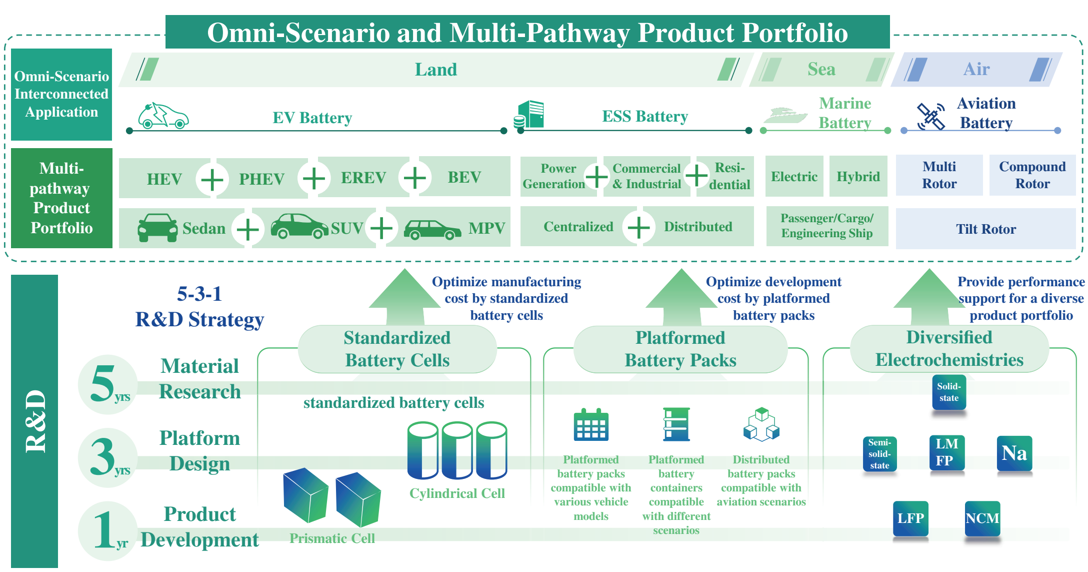
These approaches have earned us recognition as an outstanding supplier by a large number of OEM customers, including large state-owned enterprises, pure-play EV companies, and multi-national OEMs through establishing long-term cooperative relationships. Leveraging our capabilities in technologies and 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.

BUSINESS MODEL

We procure raw materials from trusted and carefully 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 truly understand and fulfill customer needs and establish long-lasting 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

The following diagram demonstrates our products and technologies.



We have developed a multi-pathway product portfolio dedicated to large-scale applications to interconnect omni-scenarios of land, sea and air. Our EV battery products primarily include NCM and LFP batteries. Our EV batteries cover a variety of EV types such as BEV, PHEV, EREV and HEVs, 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.

Under our forward-looking "5-3-1" R&D strategy, we adopt a market-driven technology and product development approach. We adopt the IPD process to implement the "5-3-1" R&D strategy. 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 multi- generation and multi-pathway technology capabilities and pipeline help us develop diversified products that satisfy customers' rapidly evolving and diverse needs.

As of March 31, 2024, our R&D team consists of over 900 full-time employees, approximately 25% of whom held a Master's degree or above. As of the same date, we had 2,897 patent applications and had been authozided 1,813 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 and 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).* 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, according to Frost & Sullivan.

- *Loong series (BEV battery pack).* 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 June 30, 2024. It adopts dual semi-solid-state technology, which enjoy an energy density of 306 Wh/kg and 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.

MANUFACTURING

Our software-defined battery cell manufacturing facilities feature our proprietary ZOE operational platform, manufacturing operations management ("**MOM**") customization system, "no touch" AI-based visual inspection technologies, 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. Our product manufacturing is highly efficient: 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.

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. During the Track Record Period, satisfaction with our on-time order delivery among customers reached 96% according to results of customer satisfaction evaluations.

As of March 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.

OUR CUSTOMERS

We have forged strong collaboration with leading players in the global mobility 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 March 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. 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 the three months ended March 31, 2024, sales to our largest customer for the respective period accounted for 55.2%, 29.3%, 28.3% and 47.0% of our revenue, respectively, while our five largest customers for the respective periods accounted for 89.1%, 90.4%, 77.8% and 86.6% of our revenue, respectively. For more details on our supply chain, 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 the three months ended March 31, 2024, purchases from our largest supplier for the respective period accounted for 40.8%, 38.2%, 14.3% and 19.0% of our total amount of purchase during the respective period, while our five largest suppliers for the respective period accounted for 66.1%, 64.2%, 45.0% and 52.0% of our total amount of purchase during the respective period. 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."

COMPETITION

We operate in China's power battery industry, which is highly competitive and concentrated with top ten manufacturers accounting for 96.5% of total installation capacity in 2023. 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 5.4 GWh in 2023, our Group ranked tenth among manufacturers of EV battery in China. We experienced the second fastest growth in overall EV battery installation capacity among the top ten EV battery companies in China from 2022 to 2023, and the second fastest growth in overall EV battery installation capacity among the top ten EV battery companies in China from the three months ended March 31, 2023 to the three months ended March 31, 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.

OUR COMPETITIVE STRENGTHS

Our competitive strengths include:

- Leading EV battery company in China with deep-rooted heritage and experience in the auto part industry;

- Multi-pathway 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 competitive strengths include:

- Steadily expand manufacturing capabilities driven by changes in market demand;

- Enrich our multi-pathway omni-scenario 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 "5-3-1" R&D strategy based on IPD process; and

- Expand our business globally through diverse approaches.

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

COMMITMENT TO GREEN SUSTAINABILITY

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, living to the commitment to becoming a leader in 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.

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 net losses in the past, and we have not been profitable yet. We may not be able to achieve profitability as expected, 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.

- 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.

SUMMARY OF RESULTS OF OPERATIONS

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

	Year ended December 31,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	(RMB in thousands)				
				(unaudited)	
Revenue	1,499,296	3,290,253	4,161,670	227,282	736,964
Cost of sales					
Cost of sales of goods	(1,393,991)	(3,001,272)	(3,670,744)	(215,185)	(658,515)
Impairment losses on inventories	(75,127)	(579,261)	(282,437)	(25,640)	(10,221)
Gross Profit/(Loss)	30,178	(290,280)	208,489	(13,543)	68,228
Other income and gains	20,833	48,954	49,265	15,610	13,159
Selling and marketing expenses	(12,848)	(19,779)	(57,618)	(9,273)	(8,464)
Administrative expenses	(134,738)	(241,116)	(259,466)	(53,352)	(67,853)
Research and development expenses	(221,047)	(329,277)	(424,099)	(95,367)	(129,142)
Impairment (losses)/gains on financial assets and contract assets, net	(22,457)	(600,057)	(10,837)	358	5,475
Other expenses	(1,400)	(267,524)	(11,568)	(343)	(531)
Finance costs	(70,217)	(32,892)	(73,451)	(13,438)	(31,457)
Share of profits/(losses) of joint ventures	–	923	(25,094)	(1,810)	77,217
LOSS BEFORE TAX	(411,696)	(1,731,048)	(604,379)	(171,158)	(73,368)
Income tax credit	9,421	11,067	14,512	3,628	3,469
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD	(402,275)	(1,719,981)	(589,867)	(167,530)	(69,899)
Loss attributable to:					
Owners of the parent	(402,275)	(1,719,981)	(589,867)	(167,530)	(69,899)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted (RMB)	(0.26)	(1.01)	(0.31)	(0.09)	(0.03)

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) as an additional financial measure, which is not required by, or presented in accordance with, IFRS.

We define EBITDA (non-IFRS measure) as loss for the year/period 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, and impairment losses on financial assets and inventories in relation to purchase order cancellation by one of our OEM customers ("**Customer X**"). The following table sets forth a reconciliation of our EBITDA (non-IFRS measure) for 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024 to the nearest measures prepared in accordance with IFRS.

	Year ended 31 December			Three months ended 31 March	
	2021	**2022**	**2023**	**2023**	**2024**
	(RMB in thousands)				
				(unaudited)	
Loss for the year/period	**(402,275)**	**(1,719,981)**	**(589,867)**	**(167,530)**	**(69,899)**
Finance costs	70,217	32,892	73,451	13,438	31,457
Depreciation and amortization	185,674	294,001	413,853	103,869	134,506
Income tax credit	(9,421)	(11,067)	(14,512)	(3,628)	(3,469)
Interest income	(8,155)	(17,896)	(33,230)	(6,227)	(10,456)
EBITDA (non-IFRS measure)	**(163,960)**	**(1,422,051)**	**(150,305)**	**(60,078)**	**82,139**
Share-based payments	22,611	35,038	43,934	10,086	13,806
Impairment losses on financial assets[1] (non-IFRS measure)	–	601,364	–	–	–
Impairment losses on inventories[1] (non-IFRS measure)	–	422,255	–	–	–
Adjusted EBITDA (non-IFRS measure)	**(141,349)**	**(363,394)**	**(106,371)**	**(49,992)**	**95,945**

Note:

1. Represents amount in relation to Customer X only.

Summary of Results of Operations

During the Track Record Period, we experienced rapid 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 RMB227.3 million in the three months ended March 31, 2023 to RMB737.0 million in the three months ended March 31, 2024, representing a growth rate of 224.2%.

Our loss for the year increased from RMB402.3 million in 2021 to RMB1,720.0 million in 2022 primarily due to a purchase order cancellation by Customer X. 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. Our loss for the period decreased from RMB167.5 million in the three months ended March 31, 2023 to RMB69.9 million in the three months ended March 31, 2024, primarily due to the high allocation of manufacturing overhead costs in the three months ended March 31, 2023 subsequent to the purchase cancellation by Customer X. For more details on the impact of Customer X on our results of operations during the Track Record Period, see "Financial Information—Significant Factors Affecting Our Financial Condition and Results of Operations—Specific Factors Affecting Our Results of Operations—One-off Impact by an OEM Customer."

Revenue by Product Type

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

	Year Ended December 31,						Three Months Ended March 31,			
	2021		2022		2023		2023		2024	
		%		%		%	(unaudited)	%		%
	(RMB in thousands, except for percentages)									
Power battery	1,448,045	96.6	3,116,066	94.7	3,356,865	80.7	178,321	78.5	641,669	87.1
By product										
NCM	1,448,045	96.6	2,628,589	79.9	1,447,995	34.8	91,322	40.2	442,924	60.1
LFP	–	–	487,477	14.8	1,908,870	45.9	86,999	38.3	198,745	27.0
By downstream application										
BEV	1,447,952	96.6	3,103,107	94.3	2,370,954	57.1	171,732	75.6	289,724	39.4
PHEV	–	–	8,567	0.3	971,673	23.3	4,788	2.1	351,670	47.7
Other applications(1)	93	0.0	4,392	0.1	14,238	0.3	1,801	0.8	275	0.0
ESS products	–	–	2,768	0.1	315,306	7.6	1,828	0.8	40,439	5.5
Others(2)	51,251	3.4	171,419	5.2	489,499	11.7	47,133	20.7	54,856	7.4
Total	**1,499,296**	**100.0**	**3,290,253**	**100.0**	**4,161,670**	**100.0**	**227,282**	**100.0**	**736,964**	**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.

Revenue by Region

During the Track Record Period, we generated almost all of our revenue from operations in China.

Sales Volume and Average Selling Price of Battery Products

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

	For the year ended December 31,			For the three months ended March 31,	
	2021	2022	2023	2023	2024
			(MWh)		
Power Battery	2,106.7	3,634.4	5,906.7	216.5	1,150.2
By Product					
NCM	2,106.7	2,947.3	1,466.0	87.6	564.4
LFP	–	687.1	4,440.7	128.9	585.9
By downstream application					
BEV	2,106.6	3,631.4	4,980.6	213.7	716.1
PHEV	–	2.4	924.5	2.6	434.2
Other applications(1)	0.1	0.6	1.5	0.2	*(2)
ESS products	–	3.1	751.0	2.4	115.9

Notes:

(1) Primarily include HEV and aviation applications.

(2) Represents amount smaller than 0.1 MWh.

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

	For the year ended December 31,			For the three months ended March 31,	
	2021	2022	2023	2023	2024
			(RMB/Wh)		
Power battery	0.69	0.86	0.57	0.82	0.56
By product					
NCM	0.69	0.89	0.99	1.04	0.78
LFP	–	0.71	0.43	0.67	0.34
By downstream application					
BEV	0.69	0.85	0.48	0.80	0.40
PHEV	–	3.59	1.05	1.82	0.81
Other applications(1)	0.62	6.88	9.31	8.98	*(2)
ESS products	–	0.89	0.42	0.77	0.35

Notes:

(1) Primarily include HEV and aviation applications.

(2) The sales volume of other applications in the three months ended March 31, 2024 was nominal (less than 0.1 MWh).

Cost of Sales

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

	Year Ended December 31,						Three Months Ended March 31,			
	2021		2022		2023		2023		2024	
		%		%		%		%		%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Raw materials	1,141,686	77.7	2,565,621	71.7	2,917,051	73.8	98,641	41.0	511,598	76.5
Manufacturing costs	117,355	8.0	134,249	3.7	262,294	6.6	66,060	27.4	57,541	8.6
Labor costs	76,544	5.2	105,480	2.9	247,944	6.3	29,061	12.1	46,359	6.9
Subtotal	**1,335,585**	**90.9**	**2,805,350**	**78.3**	**3,427,289**	**86.7**	**193,762**	**80.5**	**615,498**	**92.0**
Other operating costs	33,324	2.3	128,595	3.6	169,254	4.3	16,845	7.0	26,183	4.0
Warranty costs	25,082	1.7	67,327	1.9	74,201	1.9	4,578	1.9	16,834	2.5
Impairment losses on inventories	75,127	5.1	579,261	16.2	282,437	7.1	25,640	10.6	10,221	1.5
Total	**1,469,118**	**100.0**	**3,580,533**	**100.0**	**3,953,181**	**100.0**	**240,825**	**100.0**	**668,736**	**100.0**

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

	Year Ended December 31,						Three Months Ended March 31,			
	2021		2022		2023		2023		2024	
		%		%		%		%		%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Power battery	1,339,662	91.2	2,827,885	79.0	2,925,482	74.0	167,532	69.6	565,526	84.6
By product										
NCM	1,339,662	91.2	2,409,273	67.3	1,257,029	31.8	83,502	34.7	391,634	58.6
LFP	–	–	418,612	11.7	1,668,453	42.2	84,030	34.9	173,892	26.0
By downstream application										
BEV	1,339,578	91.2	2,815,857	78.7	2,085,660	52.8	161,891	67.2	255,641	38.3
PHEV	–	–	8,379	0.2	826,619	20.9	4,512	1.9	309,634	46.3
Other applications(1)	84	0.0	3,649	0.1	13,203	0.3	1,129	0.5	251	0.0
ESS products	–	–	2,330	0.1	289,805	7.3	1,659	0.7	37,952	5.7
Others(2)	54,329	3.7	171,057	4.7	455,457	11.5	45,994	19.1	55,037	8.2
Impairment losses on inventories	75,127	5.1	579,261	16.2	282,437	7.2	25,640	10.6	10,221	1.5
Total	**1,469,118**	**100.0**	**3,580,533**	**100.0**	**3,953,181**	**100.0**	**240,825**	**100.0**	**668,736**	**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 periods indicated.

	Year Ended December 31,						Three Months Ended March 31,			
	2021		2022		2023		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	Gross profit/(loss)	Gross profit/(loss) margin
		%		%		%		%		%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Power battery	108,383	7.5	288,181	9.2	431,383	12.9	10,789	6.1	76,143	11.9
By product										
NCM	108,383	7.5	219,316	8.3	190,966	13.2	7,820	8.6	51,290	11.6
LFP	–	-	68,865	14.1	240,417	12.6	2,969	3.4	24,853	12.5
By downstream application										
BEV	108,374	7.5	287,250	9.3	285,294	12.0	9,841	5.7	34,083	11.8
PHEV	–	–	188	2.2	145,054	14.9	276	5.8	42,036	12.0
Other applications(1)	9	9.7	743	16.9	1,035	7.3	672	37.3	24	8.7
ESS products	–	–	438	15.8	25,501	8.1	169	9.2	2,487	6.2
Others(2)	(3,078)	(6.0)	362	0.2	34,042	7.0	1,139	2.4	(181)	(0.3)
Impairment losses on inventories	(75,127)	N/A	(579,261)	N/A	(282,437)	N/A	(25,640)	N/A	(10,221)	N/A
Total	**30,178**	**2.0**	**(290,280)**	**(8.8)**	**208,489**	**5.0**	**(13,543)**	**(6.0)**	**68,228**	**9.3**

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.

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."

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,			As of March 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Total non-current assets	2,845,985	5,779,681	9,775,430	9,793,160
Total current assets	2,969,015	4,671,136	4,355,352	4,403,045
Total current liabilities	3,397,917	5,287,822	6,150,006	6,139,148
Net current liabilities	(428,902)	(616,686)	(1,794,654)	(1,736,103)
Total assets less current liabilities	2,417,083	5,162,995	7,980,776	8,057,057
Total non-current liabilities	436,528	2,690,431	3,233,543	3,365,917
Net assets	1,980,555	2,472,564	4,747,233	4,691,140

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

	As of December 31,			As of March 31,	As of May 31,
	2021	2022	2023	2024	2024
					(unaudited)
	(RMB in thousands)				
CURRENT ASSETS					
Inventories	709,539	1,012,920	613,756	696,247	727,980
Trade and bills receivables	309,874	326,487	1,147,380	932,761	1,246,277
Contract assets	11,675	1,951	6,496	6,496	6,496
Prepayments, other receivables and other assets	150,169	195,699	81,136	87,895	115,988
Financial assets at fair value through profit or loss	–	1,162,565	–	–	–
Pledged deposits	1,020,347	1,035,350	472,305	496,840	513,404
Cash and cash equivalents	767,411	936,164	2,034,279	2,182,806	2,035,850
Total current assets	**2,969,015**	**4,671,136**	**4,355,352**	**4,403,045**	**4,645,995**
CURRENT LIABILITIES					
Trade and bills payables	1,813,289	3,012,332	3,415,854	3,106,210	3,274,356
Other payables and accruals	342,349	1,480,456	1,945,523	1,546,234	1,495,542

	As of December 31,			As of March 31,	As of May 31,
	2021	2022	2023	2024	2024
					(unaudited)
			(RMB in thousands)		
Contract liabilities	40,855	145,385	44,662	399,821	374,730
Interest-bearing bank and other borrowings	1,159,664	579,134	694,137	1,036,737	953,521
Lease liabilities	36,674	34,046	27,021	25,575	27,327
Tax payable	–	23,511	–	–	–
Provision	5,086	12,958	22,809	24,571	24,520
Total current liabilities	**3,397,917**	**5,287,822**	**6,150,006**	**6,139,148**	**6,149,996**
NET CURRENT LIABILITIES	**(428,902)**	**(616,686)**	**(1,794,654)**	**(1,736,103)**	**(1,504,001)**

Our net current liabilities decreased from RMB1,736.1 million as of March 31, 2024 to RMB1,504.0 million as of May 31, 2024, primarily due to (i) an RMB313.5 million increase in trade and bills receivables due to an increase in sales volume; (ii) an RMB83.2 million decrease in interest-bearing bank and other borrowings; (iii) an RMB31.7 million increase in inventories; and (iv) an RMB50.7 million decrease in other payables and accruals; partially offset by (i) an RMB168.1 million increase in trade and bills payables; and (ii) an RMB147.0 million decrease in cash and cash equivalent.

Our net current liabilities decreased from RMB1,794.7 million as of December 31, 2023 to RMB1,736.1 million as of March 31, 2024, primarily due to (i) an RMB399.3 million decrease in other payables and accruals; and (ii) an RMB309.6 million decrease in trade and bills payables, and partially offset by (i) an RMB355.2 million increase in contract liabilities; and (ii) an RMB342.6 million increase in interested-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 pledged deposits, (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 periods indicated.

	Year Ended December 31,			Three Months Ended March 31,	
	2021	2022	2023	2023	2024
				(unaudited)	
			(RMB in thousands)		
Net cash flows (used in)/generated from operating activities	(165,420)	1,353,642	284,354	(611,212)	324,017
Net cash flows (used in)/generated from investing activities	(284,275)	(4,012,900)	302,733	541,973	(501,319)
Net cash flows generated from financing activities	938,316	2,823,634	511,028	283,130	325,583
Net increase in cash and cash equivalents	488,621	164,376	1,098,115	213,891	148,281
Effect of foreign exchange rate changes, net	(14,718)	4,377	–	–	246
Cash and cash equivalents at beginning of the year/period	293,508	767,411	936,164	936,164	2,034,279
Cash and cash equivalents at end of the year/period	767,411	936,164	2,034,279	1,150,055	2,182,806

For more details on our cash flow, see "Financial Information—Liquidity and Capital Resources—Cash Flows."

SUMMARY OF 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,			Three Months Ended/As of March 31,
	2021	2022	2023	2024
		(%)		
Gearing ratio[(1)]	27.2	47.0	26.4	30.1
Current ratio[(2)]	87.4	88.3	70.8	71.7
Quick ratio[(3)]	66.5	69.2	60.8	60.4

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/period.

(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/period.

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 [**REDACTED**] for [**REDACTED**]. Please refer to Part III of the Accountants' Report in Appendix I to this Document 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 following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] 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 [**REDACTED**]% 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 [**REDACTED**]. For details, see "Relationship with Our Controlling Shareholders".

[**REDACTED**] Investments

We underwent rounds of [**REDACTED**] Investments through the subscription of our increased registered capital by our [**REDACTED**] Investors and equity transfers among our existing shareholders and the [**REDACTED**] Investors. For further details of the identity and background of the [**REDACTED**] Investors and the principal terms of the [**REDACTED**] Investments, see "History, Reorganization and Corporate Structure—[**REDACTED**] 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 new players have yet to be able to leverage economies of scale and to achieve optimal operational efficiency.

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, RMB589.9 million, RMB167.5 million and RMB69.9 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. Our net loss position during the Track Record Period was primarily due to (i) our significant investment in technology and product development pursuant to our forward-looking "5-3-1" R&D strategy based on IPD process; (ii) significant spending on manufacturing capacity expansion; (iii) historical product mix and pricing strategy, (iv) one-off impact of purchase order cancellation by Customer X during the Track Record Period; and (v) fluctuation in raw material prices during the Track Record Period.

Significant Investment in Technology and Product Development

We invest significant resources on technological innovation and product development. We pursue a multi-pathway product development strategy, covering interconnected omni-scenario of land, sea and air. As of the Latest Practicable Date, our investment in battery products for sea and air use cases have not yet led to mass commercialization. In 2021, 2022, 2023 and the three months ended March 31, 2024, our research and development expenses was RMB221.0 million, RMB329.3 million, RMB424.1 million and RMB129.1 million, respectively, accounting for 14.7%, 10.0%, 10.2% and 17.5% of our total revenue during the same periods, respectively.

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 2022, Customer X cancelled its purchase orders for our NCM battery products for application in BEVs due to material adverse change in its business operations and the resulting changes in its battery procurement plans, which led to decrease in our sales volume of and revenue from NCM batteries. Such cancellation 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.

Fluctuation in Raw Material Prices

Raw material costs account for the largest portion of overall cost of power batteries. In 2021, 2022, 2023 and the three months ended March 31, 2024, cost of raw materials accounted for 77.7%, 71.7%, 73.8% and 76.5% of our total cost of sales, respectively, and 76.1%, 78.0%, 70.1%, and 69.4% 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 expect to continue to record a net loss in 2024. Meanwhile, we intend to adopt the following measures to turn into a 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 omni-scenario product portfolio covering more interconnected omni-scenarios of land, sea and air applications. We also intend to improve our product mix, dedicating the sales of products that enjoy higher gross profits.

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.

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 "5-3-1" R&D strategy based on IPD process, we expect to develop and launch new multi-pathway battery products covering more interconnected omni-scenarios of land, sea and air applications. 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 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 muti-pathway 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. As of May 31, 2024, we had unutilized banking facilities of RMB3,191.8 million; in addition, in each of 2022, 2023 and the three months ended March 31, 2024, we generated positive cash flow from our operating activities. As such, we believe our liquidity position also supports our sustainable future growth.

[**REDACTED**]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**]), after deducting the [**REDACTED**] and [**REDACTED**] (assuming the full payment of the [**REDACTED**]) and estimated expenses payable by the Company.

We intend to use the net [**REDACTED**] we will receive from the [**REDACTED**] for the following purposes:

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), will be used for the expansion of our production capacity and to construct intelligent manufacturing facilities and flexible manufacturing lines;

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), will be used for various R&D activities; and

- approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), will be used for providing funding for working capital and other general corporate purposes.

For more details on our use of [**REDACTED**], see "Future Plans and Use of [**REDACTED**]—Use of [**REDACTED**]."

[REDACTED]

The following table sets forth a breakdown of the [**REDACTED**] for the [**REDACTED**] based on the mid-point [**REDACTED**] of HK$[**REDACTED**] (assuming the [**REDACTED**] is not exercised).

[**REDACTED**]	**Based on an [REDACTED] of HK$[REDACTED]**
	(HK$ in thousands)
Non-[REDACTED] related expenses	
Legal and audit expenses	[**REDACTED**]
Other expenses	[**REDACTED**]
[**REDACTED**] **related expenses**	[**REDACTED**]
Total	[**REDACTED**]

We had not charged any [**REDACTED**] to our consolidated statements of profit or loss during the Track Record Period.

[**REDACTED**]

[**REDACTED**]

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. 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.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Pursuant to a shareholders' resolution of our Company passed in June 2024, our Company was converted into a joint stock company with 2,255,935,152 shares with a nominal value of RMB1.00 each issued to the then shareholders of our Company in proportion to their capital contribution to our Company, with the remaining RMB3,066,334,982.75 in net assets included as capital reserves of our Company. The conversion was completed on July 17, 2024 when our Company obtained a new business license and renamed as "Jiangsu Zenergy Battery Technologies Group Co., Ltd."

On July 24, 2024, SINOGY VC and certain [**REDACTED**] Investors agreed to subscribe for an aggregate of 131,041,251 Shares for a total consideration of RMB1 billion (the "**Series B** [**REDACTED**] **Investments**"). Upon completion of the Series B [**REDACTED**] Investments, our registered capital will have increased from RMB2,255,935,152 to RMB2,386,976,403. For details, see "History, Reorganization and Corporate Development—[**REDACTED**] Investments" in this Document.

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

DEFINITIONS

In this Document, 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 Document.

"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 [**REDACTED**], 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

[**REDACTED**]

"China", "Mainland China" or "PRC"	the People's Republic of China which, for the purpose of this Document 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)

"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
"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 [**REDACTED**] 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

[**REDACTED**]

"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

[**REDACTED**]

"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 Document

[**REDACTED**]

"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 Document, 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)"	[**REDACTED**] 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 [**REDACTED**] in HK dollars and to be [**REDACTED**] on the Hong Kong Stock Exchange

[**REDACTED**]

"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

"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

[**REDACTED**]

[**REDACTED**]

"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

[**REDACTED**]

"IPD"	integrated product development

"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 limited liability company incorporated in the PRC on July 14, 2017
"Joint Sponsors"	the joint sponsors of the [**REDACTED**] as named in the section headed "Directors, Supervisors and Parties Involved in the [**REDACTED**]"

[**REDACTED**]

"Latest Practicable Date"	July 21, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this Document prior to its publication

[**REDACTED**]

"Listing Committee"	the listing committee of the Hong Kong Stock Exchange

[**REDACTED**]

"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
"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

[**REDACTED**]

"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 and 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 [**REDACTED**]
"[**REDACTED**] Equity Incentive Plans"	the Share Option Plan and the Share Incentive Plan
"[**REDACTED**] Investment(s)"	the investment(s) in our Group undertaken by the [**REDACTED**] Investors prior to this [**REDACTED**], the details of which are set out in "History, Reorganization and Corporate Structure"
"[**REDACTED**] Investor(s)"	the investor(s) making investments in our Group prior to this [**REDACTED**] as set out in "History, Reorganization and Corporate Structure"

[**REDACTED**]

"Document"	this document being issued in connection with the [**REDACTED**]
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"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
"Rule 144A"	Rule 144A under the U.S. Securities Act
"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 [**REDACTED**] Investments"	the Series B [**REDACTED**] 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
"Share Incentive Plan"	the [**REDACTED**] 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—[**REDACTED**] Equity Incentive Plans" in Appendix IV
"Share Option Plan"	the [**REDACTED**] 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—[**REDACTED**] 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
"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) Primearth EV Energy 株式會社 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%

[**REDACTED**]

"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
"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 period comprising the three financial years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 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

[**REDACTED**]

"Unlisted Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are not [**REDACTED**] 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

[**REDACTED**]

"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 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 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
"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 Document 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 Document 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 Document, unless the context otherwise requires, explanations and definitions of certain terms used in this Document 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.

""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"	Battery electric vehicle
"BIZ Platform"	Zenergy big data intelligence platform
"BMS"	Battery management system
"C"	The nominal capacity of the battery. A charging current of 2C implies that the battery can be fully charged in half an hour
"CAGR"	Compound annual growth rate
"Cell"	Battery cell
"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
"EMS"	Energy management system
"energy density"	The amount of energy that can be contained within a given volume or given mass
"EREV"	Extended-range electric vehicle
"ERP system"	Enterprise Resource Planning system
"ESS"	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 38031"	PRC National Standard: <Electric vehicles traction battery safety requirements>
"GB/T23001-2017"	national standard for integration of informatization and industrialization management systems requirements issued by SAC
"GB 38031-2020"	PRC National Standard: "Electric vehicles traction battery safety requirements", which was issued on May 12, 2020
"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>
"GWh"	The unit of electricity, KWh is the degree, 1 GWh=1,000,000 KWh
"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)
"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)
"ICE"	internal combustion engine
"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
"ISO/IEC 17025: 2017"	"General Requirements for Competence of Testing and Calibration Laboratories," a international standard for testing and calibration laboratories
"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)
"LCO"	Lithium cobalt oxide ($LiCoO_2$)
"LES"	Logistics execution system
"LMFP"	Lithium manganese iron phosphate (LiMnxFe1−xPO4)
"LFP"	Lithium iron phosphate ($LiFePO_4$)
"LFP battery"	A Lithium-Ion battery that uses lithium iron phosphate ($LiFePO_4$) as the cathode material
"LISA"	Interconnected omni-scenarios of land, sea and air applications 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-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
"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
"mass energy density"	The amount of energy that can be contained within a given mass
"MES system"	Manufacturing execution system
"Module"	Battery module
"MOM System"	Manufacturing operations management system

"MWh"	The unit of electricity, KWh is the degree, 1MWh=1,000KWh
"NCA"	Lithium nickel cobalt aluminum oxide ($Li(Ni_XCo_YAl_Z)O_2$), which can be used as cathode materials for ternary batteries
"nail penetration test"	A type of safety testing done to simulate internal shortcircuiting. 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
"NCM"	Nickel-cobalt-manganese ternary materials, which can be used as cathode materials for ternary batteries. Given different ratios of nickel, cobalt, and manganese, it can be classified into NCM523, NCM613, NCM811, etc.
"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"	Original equipment manufacturer
"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
"PHEV"	Plug-in Hybrid Electric Vehicle
"PLM system"	Product Lifecycle Management System
"PVDF"	Polyvinylidene difluoride which is a highly non-reactive thermoplastic fluoropolymer produced by the polymerization of vinylidene difluoride

"Electrode"	A structure of Lithium-Ion battery products which composed of components such as active materials, binders, conductive agents and collectors
"R&D"	Research and development
"small capacity battery"	Battery with capacity of less than 100Ah
"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.
"Super P Li black carbon"	Mainly used for improving conductivity of active materials
"SRM System"	Supplier relationship management system
"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
"volumetric energy density"	The amount of energy that can be contained within a given volume
"WCS system"	Warehouse control system
"Wh/kg"	Watt hour/kilogram
"WMS system"	Warehouse management system

FORWARD-LOOKING STATEMENTS

We have included in this Document 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 Document 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 Document, 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 Document, 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 Document, 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 Document 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 Document 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 Document.

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

An [**REDACTED**] *in the H Shares involves various risks. You should consider carefully all the information set out in this Document and, in particular, the risks described below before making an* [**REDACTED**] *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 [**REDACTED**] *of the H Shares could decline and you may lose all or part of your* [**REDACTED**]. *You should seek professional advice from your relevant advisors regarding your prospective* [**REDACTED**] *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 net losses in the past, and we have not been profitable yet. We may not be able to achieve profitability as expected, which may affect our business sustainability.

We have been at a net loss position from operations during the Track Record Period. We incurred net losses of RMB402.3 million, RMB1,720.0 million, RMB589.9 million, RMB167.5 million and RMB69.9 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively. We are not yet profitable as we are still at a ramp-up stage, and cannot assure you as to whether and when we will become profitable. 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 continue to 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 [**REDACTED**]." 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 the three months ended March 31, 2023 and 2024, our research and development expenses were RMB221.0 million, RMB329.3 million, RMB424.1 million, RMB95.4 million and RMB129.1 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.

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 increased from RMB227.3 million in the three months ended March 31, 2023 to RMB737.0 million in the same period 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. 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. See "Future Plans and Use of [**REDACTED**]" 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 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 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, eletrolyte, 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.

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. As of the December 31, 2021, 2022 and 2023 and March 31, 2024, the carrying amount of our investments in joint ventures amounted to nil, RMB64.5 million, RMB3,350.9 million and RMB3,428.1 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 RMB77.2 million in 2022 and the three months ended March 31, 2024, and incurred share of losses of joint ventures of RMB25.1 million and RMB1.8 million in 2023 and the three months ended March 31, 2023, respectively. In 2023, we completed the strategic reorganization of STAES by acquiring 50% equity interests thereof. STAES generated a profit of RMB29.7 million and RMB158.5 million in the one month ended December 31, 2023 and the three months ended March 31, 2024, respectively.

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.

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 the three months ended March 31, 2024, our revenue from the top five customers in each period during the Track Record Period was RMB1,337.4 million, RMB2,972.7 million, RMB3,238.2 million and RMB638.8 million, respectively, accounting for 89.1%, 90.4%, 77.8% and 86.6%, respectively, of our total revenue during the same periods. Our revenue from the largest customer in each period during the Track Record Period was RMB828.3 million, RMB962.5 million, RMB1,179.1 million and RMB346.6 million, respectively, accounting for 55.2%, 29.3%, 28.3% and 47.0%, respectively, of our total revenue during the same periods. 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 2022, one of our OEM customers ("**Customer X**") cancelled its purchase orders for our NCM battery products for application in BEVs due to material adverse change in its business operations and the resulting changes in its battery procurement plans. Such cancellation led to (i) a significant decrease 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; (iv) temporary suspension of a manufacturing line in the three months ended March 31, 2023; and (v) impairment in trade receivables. 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. 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.

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 96.5% of China's total installation capacity in 2023, respectively. 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.

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.

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. 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.

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

As of March 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." According to Frost & Sullivan, other market players in China have also been expanding their production capacity quite aggressively since a few years ago. Looking ahead, China's power battery industry may 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 in China's power battery industry. According to Frost & Sullivan, there may be potential structural overcapacity of production 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.

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

Prices of raw materials have a significant impact on our cost of sales. In 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, costs of raw materials accounted for 77.7%, 71.7%, 73.8%, 41.0% and 76.5% of our cost of sales for the respective periods. See "Industry Overview" for price fluctuations of key raw materials during the Track Record Period. 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.

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 RMB258.7 thousand per ton and RMB263.3 thousand per ton, respectively, in 2023, according to Frost & Sullivan. We cannot assure you that we will not experience significant increases in the prices of raw materials in the future. Under such circumstances, we may need to 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. If we fail to respond appropriately to the increases in the prices of raw materials needed for our products, our business, financial condition and results of operations may be materially and adversely affected.

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.

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 the three months ended March 31, 2023 and 2024, our labor costs amounted to RMB76.5 million, RMB105.5 million, RMB247.9 million, RMB29.1 million and RMB46.4 million, representing 5.2%, 2.9%, 6.3%, 12.1% and 6.9% 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 and 2023 and March 31, 2024, we had inventories of RMB709.5 million, RMB1,012.9 million, RMB613.8 million and RMB696.2 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 88.2 days in 2021, 2022, 2023 and the three months ended March 31, 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; and
- unanticipated changes in prevailing economic conditions and regulatory requirements.

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 120.1 GWh in 2019 to 716.0 GWh in 2023, representing a CAGR of 56.2%, and is expected to further grow to 3,513.1 GWh in 2028, representing a CAGR of 37.5%, 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. 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, during the Track Record Period, one of our leased facilities which we have already used but are still in the process of concluding the relevant lease agreement with the lessor did not have property ownership certificate. We may be required to vacate such facility and seek alternative facilities for lease if eventually we cannot conclude the lease agreement with the lessor or the lessor cannot procure such ownership certificate, which may disrupt our business operations. With regards to environment, safety and occupational health, see also "—Present or future environmental, safety and occupational health laws and regulations in the PRC may have a material adverse effect on our business, financial condition and results of operations."

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 according to Frost & Sullivan. 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.

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 RMB183.5 million as of December 31, 2021, 2022 and 2023 and March 31, 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 RMB1,736.1 million as of December 31, 2021, 2022 and 2023 and March 31, 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 the three months ended March 31, 2023, we recorded net cash outflow from operating activities of RMB165.4 million and RMB611.2 million, respectively. See "Financial Information—Liquidity and Capital Resources—Cash Flows." Although we have recorded net cash inflow from operating activities in 2023 and the three months ended March 31, 2024, 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 and 2023 and March 31, 2024, our trade and bills receivables and contract assets amounted to RMB321.5 million, RMB328.4 million, RMB1,153.9 million and RMB939.3 million, respectively. We recorded impairment of trade and bills receivables and contract assets of RMB79.1 million, RMB606.2 million, RMB617.0 million and RMB610.8 million as of December 31, 2021, 2022 and 2023 and March 31, 2024, respectively. Our trade and bills receivables and contract assets turnover days amounted to 60.9 days, 36.1 days, 65.0 days, and 127.8 days in 2021, 2022, 2023 and the three months ended March 31, 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 Customer X. 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 and 2023 and March 31, 2024, we had contract liabilities of RMB40.9 million, RMB145.4 million, RMB44.7 million and RMB399.8 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—[**REDACTED**] Equity Incentive Plans." In 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, we incurred share-based payment expenses of RMB22.6 million, RMB35.0 million, RMB43.9 million, RMB10.1 million and RMB13.8 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 and 2023 and March 31, 2024, we had contract assets of RMB11.7 million, RMB2.0 million, RMB6.5 million and RMB6.5 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 RMB471.8 million as of December 31, 2021, 2022 and 2023 and March 31, 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 RMB147.3 million as of December 31, 2021, 2022 and 2023 and March 31, 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, RMB0.7 million, RMB0.7 million and RMB1.4 million as of December 31, 2021, 2022 and 2023 and March 31, 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 [**REDACTED**] Investments, banking facilities, and the net [**REDACTED**] from the [**REDACTED**]. However, we cannot assure you that we will be able to generate sufficient cash from our operations or obtain the necessary financing or that such financing will be at interest rates and on other terms that are commercially reasonable and affordable to us or consistent with our expectations. 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 afore-mentioned 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 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 [REDACTED] 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-[**REDACTED**] China-based companies, proposes to revise the relevant regulation governing the overseas issuance and [**REDACTED**] 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 [**REDACTED**] and [**REDACTED**] securities in overseas markets, are required to file with the CSRC within three working days after submitting the [**REDACTED**] 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 [**REDACTED**] of the issuer(s) who have completed overseas [**REDACTED**] and [**REDACTED**].

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 [**REDACTED**] 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 [**REDACTED**] from this [**REDACTED**] 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 [**REDACTED**] 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 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, 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 [**REDACTED**] 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 [**REDACTED**], 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. 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 [**REDACTED**] 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 [**REDACTED**] 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' [**REDACTED**] 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' [**REDACTED**] 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 [**REDACTED**] 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 has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, failure to satisfy the conditions in respect of the recognition and enforcement of a foreign judgement and the absent of treaties providing for the reciprocal enforcement, recognition and enforcement in China or Hong Kong 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 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 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 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 [**REDACTED**] from the [**REDACTED**] 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 [**REDACTED**] from the [**REDACTED**] 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 [**REDACTED**] from the [**REDACTED**]. 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. 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.

We consulted relevant competent authorities on social insurance and housing provident funds in June 2024. During the consultations, we obtained confirmation 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. Any future demand by competent authorities to pay any previously undiscovered shortfalls, either on their own initiatives or upon employee complaints, could lead to cash outlay, which could adversely affect our results of operations and financial condition. However, we cannot assure you that the relevant government authorities will not require us to pay the outstanding amount and impose late fees or fines on us at all times. If any of the relevant authorities is of the view that our contribution of social insurance and housing provident fund do not satisfy the requirements under the relevant PRC laws and regulations in the future, it may order us to pay the outstanding balance within a prescribed period. If we fail to do so within the prescribed period, we may be subject to fines, penalties or mandatory payment from the PRC courts.

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. 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 [REDACTED]

There has been no prior public market for our H Shares, and their liquidity and [REDACTED] maybe volatile.

Prior to the [**REDACTED**], there has been no public market for our H Shares. The initial [**REDACTED**] for our H Shares to the public will be the result of negotiations between us and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]), and the [**REDACTED**] may differ significantly from the [**REDACTED**] of our H Shares following the [**REDACTED**]. We have applied to the Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**] in, the H Shares. A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active and liquid [**REDACTED**] for our H Shares will develop, or if it does develop, that it will be sustained following the [**REDACTED**], or that the [**REDACTED**] of our H Shares will not decline following the [**REDACTED**].

Furthermore, the price and [**REDACTED**] of our H Shares may be volatile. The following factors, among others, may cause the [**REDACTED**] of our H Shares after the [**REDACTED**] to vary significantly from the [**REDACTED**]:

- 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 and in the global economy;
- fluctuations in [**REDACTED**];
- changes in analysts' estimates of our financial performance; and
- involvement in material litigation.

Moreover, shares of other companies [**REDACTED**] 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, [**REDACTED**] in our H Shares may suffer substantial losses.

Normally, a [**REDACTED**] acting on behalf of the [**REDACTED**] may [**REDACTED**] or effect short sales or any other [**REDACTED**] transactions with a view to [**REDACTED**] or maintaining the [**REDACTED**] of the [**REDACTED**] at a level higher than that which might otherwise prevail in the open market. However, given that we will not grant any [**REDACTED**] to the [**REDACTED**], no [**REDACTED**] has been appointed by us in connection to the [**REDACTED**] and it is anticipated that no [**REDACTED**] activities will be conducted by any [**REDACTED**], which may result in substantial losses for [**REDACTED**] during the period when [**REDACTED**] activities would normally have been conducted.

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 to raise capital through [REDACTED] of our H Shares.

Although our Controlling Shareholders are subject to restrictions on their sales of Shares within 12 months from the [**REDACTED**] as described in "[**REDACTED**]" in this Document, future sales of a significant number of our H Shares by our Controlling Shareholders in the public market after the [**REDACTED**], or the perception that these sales could occur, could cause the [**REDACTED**] of our H Shares to decline and could materially impair our future ability to raise capital through [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**]. According to the PRC Company Law, the Unlisted Shares issued by the Company prior to the [**REDACTED**] are restricted from [**REDACTED**] within one year from the [**REDACTED**]. Such restriction from [**REDACTED**] 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 [**REDACTED**] for the [**REDACTED**] of our relevant Unlisted Shares on the Hong Kong Stock Exchange after the completion of the [**REDACTED**] 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 [**REDACTED**] of our H Shares. Moreover, if we convert a substantial amount of Unlisted Shares into H shares to be [**REDACTED**] and [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**] from the [**REDACTED**], 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 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 [REDACTED] of our H Shares is higher than our consolidated net tangible asset book value per Share, purchasers of our H Shares in the [REDACTED] may experience immediate dilution upon such purchases.

As the [**REDACTED**] of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the [**REDACTED**], purchasers of our H Shares in the [**REDACTED**] may experience an immediate dilution. Our existing Shareholders will receive an increase in the [**REDACTED**] 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 [**REDACTED**] 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 [REDACTED] 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 "[**REDACTED**]" in this Document. However, there is no assurance that after the restrictions of the lock-up periods expire, our Controlling Shareholders will not dispose of any Shares. Sale of substantial amounts of our Shares in the public market, or the perception that these sales may occur, may materially and adversely affect the prevailing [**REDACTED**] 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 [**REDACTED**], our Controlling Shareholders will be entitled to exercise approximately [**REDACTED**]% 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 Document are derived from publicly available sources from official government and third parties and they may not be reliable.

Certain facts, forecast and statistics contained in this Document 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 Document. However, the information from the official government sources have not been prepared or independently verified by us, the Joint Sponsors, [**REDACTED**] 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 Document 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, [**REDACTED**] 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 Document are subject to risks and uncertainties.

This Document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "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 Document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to this cautionary statement.

[REDACTED] should read the entire Document carefully and should not consider any particular statements in this Document or in published media reports without carefully considering the risks and other information contained in this Document.

Prior to the publication of this Document, there has been coverage in the media regarding us, the [**REDACTED**] or our Controlling Shareholders, which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. 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 Document. Accordingly, prospective [**REDACTED**] are cautioned to make their [**REDACTED**] decisions on the basis of the information contained in this Document only and should not rely on any other information.

In preparation for the [**REDACTED**], 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 [**REDACTED**] 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 [**REDACTED**] for a period commencing on the [**REDACTED**] 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 [**REDACTED**], 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 [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**] 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. Huang Jie (黃婕) ("**Ms. Huang**") and Ms. Ho as our joint company secretaries. See "Directors, Supervisors and Senior Management—Joint Company Secretaries" for their biographical detail.

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. Huang, who is an employee of the Company responsible for corporate secretarial matters of our Group since February 2024 and who has day-to-day knowledge of the Company's affairs. Ms. Huang 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 the most effective and efficient manner. However, Ms. Huang 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. Huang for an initial period of three years from the [**REDACTED**] to enable Ms. Huang 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. Huang may be appointed as a joint company secretary of our Company.

The waiver is valid for an initial period of three years from the [**REDACTED**], and is granted on the condition that Ms. Ho, as a joint company secretary of our Company, will work closely with Ms. Huang to jointly discharge the duties and responsibilities as company secretaries and assist Ms. Huang in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Ho will also assist Ms. Huang 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. Huang and will maintain regular contact with Ms. Huang, the Directors and the senior management of our Company. In addition, Ms. Huang 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 [**REDACTED**]. Ms. Huang 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. Huang as a joint company secretary for the three-year period after the [**REDACTED**] 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. Huang 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 liaise with the Stock Exchange to enable it to assess whether Ms. Huang, 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.

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Ms. Cao Fang (曹芳)	Room 1313, Building No. 4 Zhengli Jiayuan No. 112 Xin'anjiang Road Dongnan Community Changshu, Jiangsu Province PRC	Chinese
Dr. Chen Jicheng (陳繼程)	Room 1213, Building No. 4 Zhengli Jiayuan No. 112 Xin'anjiang Road Dongnan Community Changshu, Jiangsu Province PRC	Chinese
Dr. Yu Zhexun (于哲勛)	Room 1601, Unit 1, Building No. 21 Lvcheng Mingyue Lanting No. 5 Miaogang Road Changshu, Jiangsu Province PRC	Chinese
Non-executive Director		
Mr. Zhang Li (張力)	Room 903, Building No. 6 Lane 199 Zixia Road Huangpu District Shanghai PRC	Chinese
Independent Non-executive Directors		
Dr. Xu Zhiming (許志明)	4A, Building No. 14 Coastline Villa Discovery Bay Hong Kong	Chinese (Hong Kong)
Dr. Gong Zhengliang (龔正良)	7-503, Wuyuan East Sanli Jinshan Community Huli District Xiamen, Fujian Province PRC	Chinese

Name	Address	Nationality
Dr. Xiao Min (肖瑨)	Room 404, Wuyuan West Sanli No. 14 Heshan Community Huli District Xiamen, Fujian Province PRC	Chinese

SUPERVISORS

Name	Address	Nationality
Mr. Liu Gang (劉剛)	Room 1601, Building No. 3 Qinhe Jiayuan Qinchuan Community Changshu, Jiangsu Province PRC	Chinese
Mr. Hong Ping (洪平)	Room 402, Building No. 27 Block 2, Jin Shan Yuan No. 20 Xiangxie Road Qinchuan Community Changshu, Jiangsu Province PRC	Chinese
Mr. Ge Wei (葛威) (former name: Ge Xiaowei (葛小威))	Room 2504, Building No. 20 Wanke Gongwang Changshu, Jiangsu Province PRC	Chinese

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

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors and [REDACTED]	**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

[REDACTED]

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
Legal advisers to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and United States laws:* **Cooley HK** 35/F, Two Exchange Square 8 Connaught Place Central Hong Kong *As to PRC laws:* **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place 77 Jianguo Road Beijing PRC
Auditor and Reporting Accountants	**Ernst & Young** *Public Interest Entity* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong

Industry Consultant	**Frost & Sullivan (Beijing) Inc.,** **Shanghai Branch Co.** 2504 Wheelock Square 1717 Nanjing West Road, Jingan District Shanghai PRC
Compliance Adviser	**Maxa Capital Limited** Unit 2602 26/F, Golden Centre 188 Des Voeux Road Central Sheung Wan Hong Kong

[**REDACTED**]

CORPORATE INFORMATION

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

Remuneration and Evaluation Committee	Dr. Xu Zhiming (許志明) *(Chairperson)* Ms. Cao Fang (曹芳) Dr. Chen Jicheng (陳繼程) Dr. Gong Zhengliang (龔正良) Dr. Xiao Min (肖珉)
Nomination Committee	Ms. Cao Fang (曹芳) *(Chairperson)* Dr. Chen Jicheng (陳繼程) Dr. Xu Zhiming (許志明) Dr. Gong Zhengliang (龔正良) Dr. Xiao Min (肖珉)

[**REDACTED**]

Principal Banks	**Changshu Sub-branch of Industrial Bank Co., Ltd.** Units 109 & 201 Yiyuan Century Plaza No. 19, Haiyu North Road Changshu, Jiangsu PRC
	Southeast Development Zone Sub-branch of China Construction Bank Corporation Units 144-147 & 249-250, Block 5, Dongnan Linli Life Plaza No. 101, Dongnan Avenue National New & Hi-tech Industrial Development Zone Changshu, Jiangsu PRC

The information and statistics set out in this section and other sections of this Document 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 [**REDACTED**]. *The information from official government sources has not been independently verified by us, the Joint Sponsors,* [**REDACTED**], *any of their respective directors and advisers, or any other persons or parties involved in the* [**REDACTED**], *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 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, better safety and performance in low-temperature environment and longer cycle life. It can also achieve faster charging speeds than Lithium-Ion EV batteries. 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, which demonstrates excellent performance in terms of safety and low-temperature performance. 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 over traditional liquid state batteries.

Overview of Power Battery Value Chain

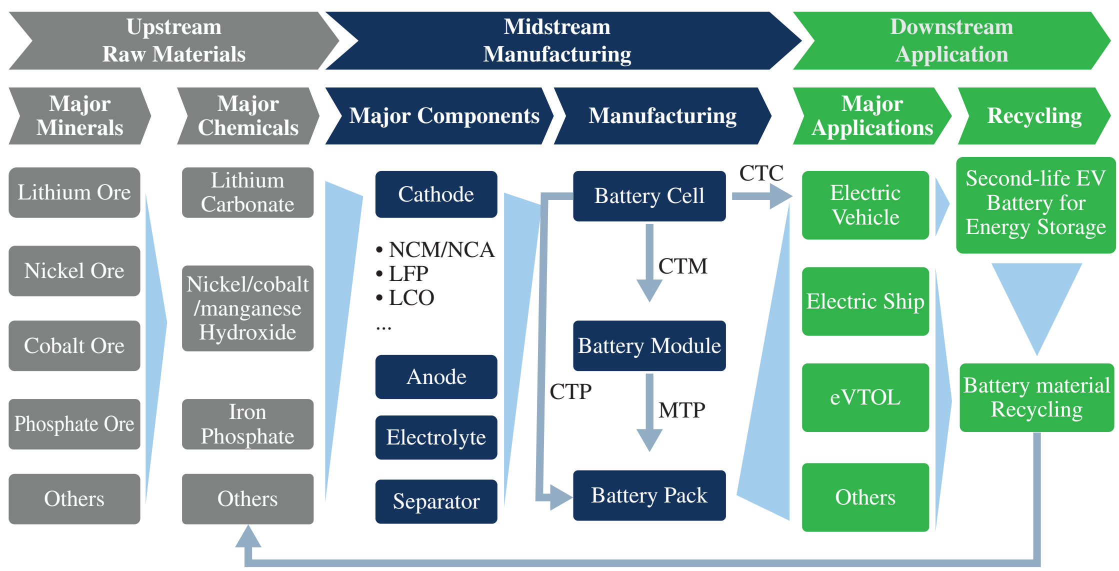
The power battery value chain primarily includes (i) mining and processing of minerals; (ii) cell components manufacturing; (iii) battery cell, battery module and battery pack manufacturing; (iv) battery end-users; and (v) battery recycling.

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

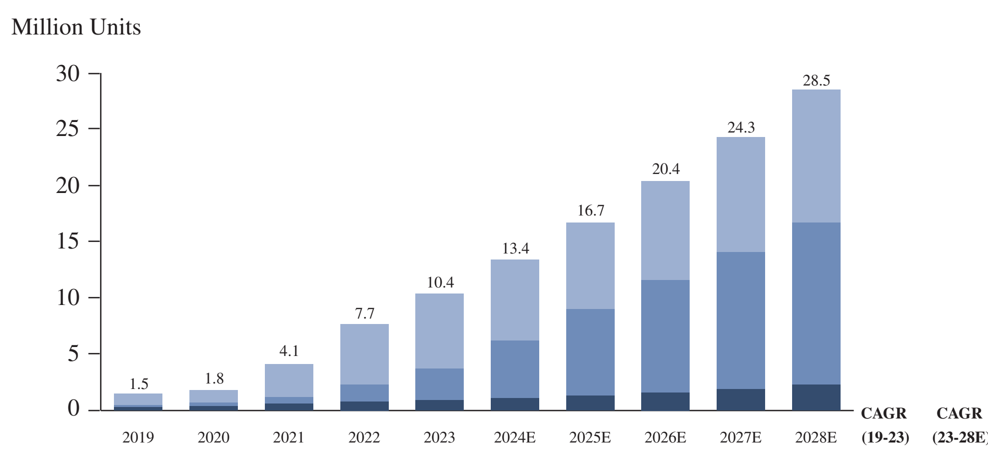
EVs use electric motors powered by power battery instead of solely by internal combustion engines (ICE) to propel the vehicles. EVs primarily include BEV (battery electric vehicle), PHEV (plug-in hybrid electric vehicle), EREV (extended range electric vehicle), and HEV (hybrid electric vehicle), with 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 statiscis for PHEVs in this "Industry Overview" section.

Global EV sales volume increased from 4.6 million units in 2019 to 21.4 million units in 2023, representing a CAGR of 46.5%, and is expected to further increase to 68.4 million by 2028, representing a CAGR of 26.2%. 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 0.6 million units in 2019 to 4.4 million units in 2023, representing a CAGR of 63.5%, higher than any other type of EVs, and is expected to further grow to 18.7 million units in 2028, representing a CAGR of 33.7%.

China is the world's largest EV market as measured by 2023 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 2019 to 2023, EV sales volume in China grew from 1.5 million units to 10.4 million units, representing a CAGR of 62.5%, and is expected to further grow to 28.5 million units by 2028, representing a CAGR of 22.4%. 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 0.2 million units in 2019 to 2.8 million units in 2023, representing a CAGR of 86.5%, and is expected to further grow to 14.4 million units by 2028, representing a CAGR of 38.6%, 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 0.3 million units in 2019 to 0.9 million units in 2023, representing a CAGR of 32.4%. HEVs are expected to maintain rapid growth in the future, reaching a sales volume of 2.3 million units by 2028, representing a CAGR of 21.7% from 2023 to 2028.

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, 2019-2028E



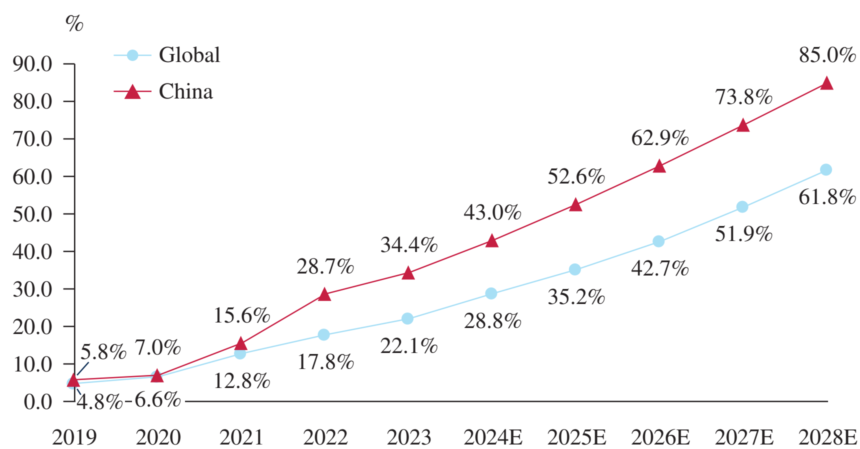
	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	CAGR (19-23)	CAGR (23-28E)
BEV	1.0	1.1	2.9	5.4	6.7	7.2	7.7	8.8	10.2	11.8	62.0%	12.1%
PHEV	0.2	0.3	0.6	1.5	2.8	5.1	7.7	10.0	12.2	14.4	86.5%	38.6%
HEV	0.3	0.4	0.6	0.8	0.9	1.1	1.3	1.6	1.9	2.3	32.4%	21.7%
Total	**1.5**	**1.8**	**4.1**	**7.7**	**10.4**	**13.3**	**16.7**	**20.4**	**24.3**	**28.5**	**62.5%**	**22.4%**

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 4.8% in 2019 to 22.1% in 2023, and is expected to reach 61.8% in 2028. China is a global leader in EV development: EV penetration rate in China grew from 5.8% in 2019 to 34.4% in 2023, and is expected to further grow to 85.0% in 2028, both significantly higher than the global average.

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

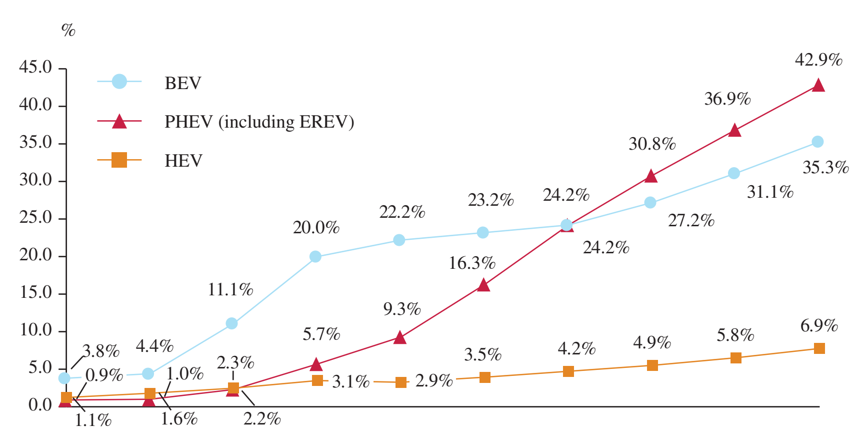
Penetration Rate of Electric Vehicle, Global and China, 2019-2028E



Source: 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 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 2025. 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, 2019-2028E



Source: Frost & Sullivan

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

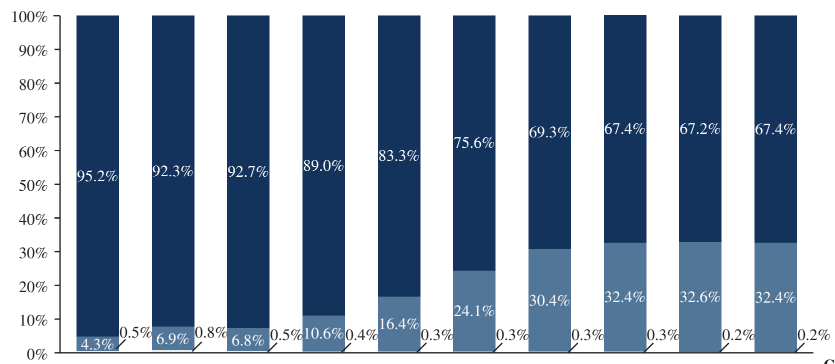
Source: Frost & Sullivan

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 120.1 GWh in 2019 to 716.0 GWh in 2023, representing a CAGR of 56.2%, and is expected to further grow to 3,513.1 GWh in 2028, representing a CAGR of 37.5%. 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 7.1 GWh in 2019 to 99.7 GWh in 2023, representing a CAGR of 93.4%, and is expected to further grow to 799.6 GWh in 2028, representing a CAGR of 51.6%.

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 62.5 GWh in 2019 to 389.0 GWh in 2023, representing a CAGR of 57.9%, and is expected to further grow to 1,943.3 GWh in 2028, representing a CAGR of 37.9%. 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 2.7 GWh in 2019 to 63.8 GWh in 2023, representing a CAGR of 120.6%, and is expected to further grow to 628.9 GWh in 2028, representing a CAGR of 58.0%. 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.

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 types), China, 2019-2028E



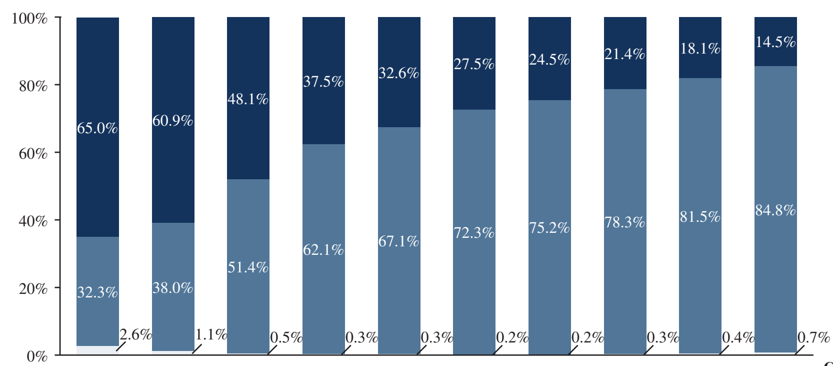
	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	CAGR (19-23)	CAGR (23-28E)
BEV (GWh)	59.5	59.2	143.9	263.3	324.0	417.9	531.0	718.3	979.2	1,310.1	52.8%	32.2%
PHEV (GWh)	2.7	4.5	10.6	31.3	63.8	133.4	233.1	344.8	475.0	628.9	120.6%	58.0%
HEV (GWh)	0.3	0.5	0.8	1.1	1.3	1.8	2.3	2.8	3.6	4.4	40.0%	27.7%
Total	**62.5**	**64.2**	**155.3**	**295.8**	**389.0**	**553.1**	**766.4**	**1,066.0**	**1,457.7**	**1,943.3**	**57.9%**	**37.9%**

Source: 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 40.7 GWh in 2019 to 126.7 GWh in 2023, representing a CAGR of 32.9%, and is expected to reach 281.5 GWh in 2028, representing a CAGR of 17.3% from 2023 to 2028. 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 20.2 GWh in 2019 to 261.2 GWh in 2023, representing a CAGR of 89.6%, and is expected to further grow to 1,648.1 GWh in 2028, representing a CAGR of 44.5%. The proportion of LFP batteries in the total installation capacity in China increased from 32.3% in 2019 to 67.1% in 2023, and it is expected to reach 84.8% in 2028.

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 types), China, 2019-2028E



	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	CAGR (19-23)	CAGR (23-28E)
NCM (GWh)	40.7	39.1	74.7	111.0	126.7	152.1	188.1	228.4	264.0	281.5	32.9%	17.3%
LFP (GWh)	20.2	24.4	79.8	183.8	261.2	399.8	576.5	834.6	1,187.9	1,648.1	89.6%	44.5%
Others (GWh)	1.7	0.7	0.7	1.0	1.1	1.3	1.9	3.0	5.9	13.7	-9.6%	65.5%
Total	**62.5**	**64.2**	**155.3**	**295.8**	**389.0**	**553.1**	**766.4**	**1,066.0**	**1,457.7**	**1,943.3**	**57.9%**	**37.9%**

Source: Frost & Sullivan

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

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 30 MWh in 2019 to 1.1 GWh in 2023, representing a CAGR of 150.7%. 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 84.9 GWh in 2028, representing a CAGR of 139.1% from 2023 to 2028.

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 2023 to the end of 2028, 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.

EV BATTERY PRODUCTION

Investment and Construction Period of EV Battery Manufacturing Line

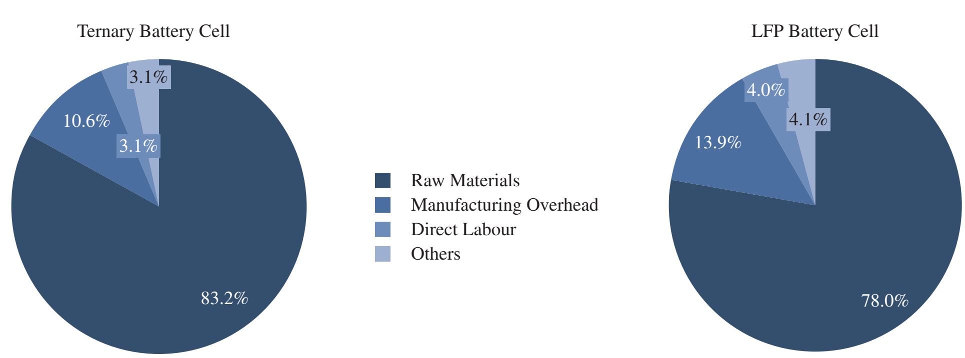
EV battery production capabilities require significant capital investment in facility construction, equipment purchase and installation, working capital, and other expenses. The investment per GWh of Lithium-Ion power battery equipment is approximately RMB200.0 million. The construction cycle of a Lithium-Ion 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 Power Battery and Price of Raw Materials

The following charts set forth the cost breakdowns of battery cell manufacturing in China in 2023.

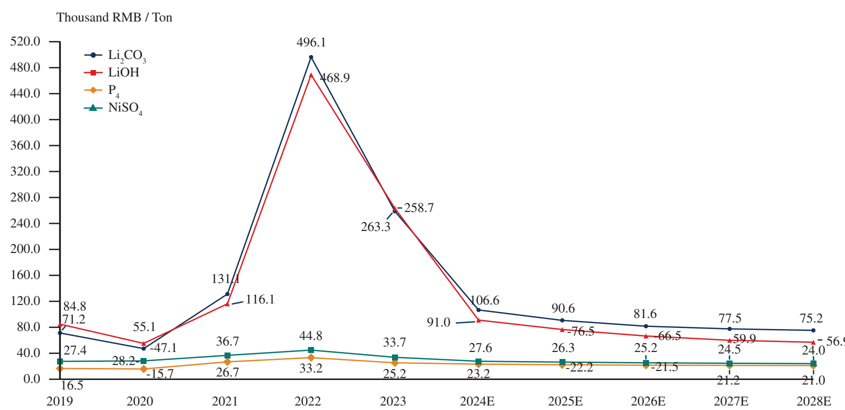
Cost Breakdown of Battery Cell, China, 2023



Source: Frost & Sullivan

Raw material prices experienced an overall upward trend from 2019 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, RMB44.8 thousand per ton to RMB258.7 thousand per ton, RMB263.3 thousand per ton, RMB25.2 thousand per ton, and RMB33.7 thousand per ton respectively in 2023. These prices are expected to continue to decrease, reaching RMB75.2 thousand per ton, RMB56.9 thousand per ton, RMB21.0 thousand per ton, and RMB24.0 thousand per ton, respectively, by 2028. 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 2023 to approximately 65%-70% in 2028.

Average Price of Major Raw Materials, China, 2019-2028E



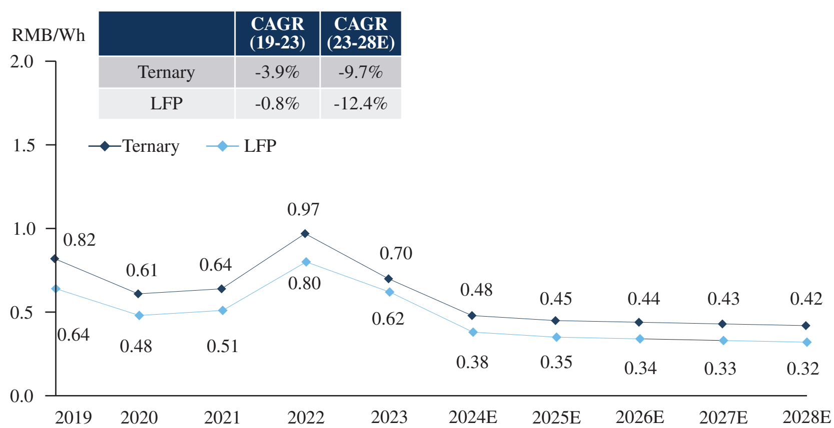
Source: Frost & Sullivan

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 2019 to 2022, and subsequently declined to RMB0.7/Wh and RMB0.62/Wh in 2023, respectively. The future prices of NCM and LFP batteries are expected to continue to slowly decline to RMB0.42/Wh and RMB0.32/Wh, 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, 2019-2028E



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 omni-scenario land, air and sea (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.

Favorable Government Policies

The EV industry has received continuous policy support, especially in China. For example, starting 2023, 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. 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.

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 96.5% of total installation capacity in 2023. With the EV battery installation capacity of 5.4 GWh in 2023, our Group ranked tenth among manufacturers of EV battery in China. The following table sets forth details of top EV battery manufacturers in China as measured by EV battery installation capacity in 2023.

Ranking of EV Battery Manufacturers (by installation capacity), China, 2023

Rank	Company Name	Installation Capacity (GWh)	Market Share
1	Company A	167.1	43.0%
2	Company B	105.5	27.1%
3	Company C	32.9	8.5%
4	Company F	17.3	4.4%
5	Company D	15.9	4.1%
6	Company G	8.7	2.2%
7	Company E	8.3	2.1%
8	Company I	8.3	2.1%
9	Company H	5.9	1.5%
10	**The Group**	**5.4**	**1.4%**
	Others	13.7	3.5%
	Total	**389.0**	**100.0%**

Source: CABIA, Frost & Sullivan

LFP EV battery market is also highly concentrated in China, with top ten manufacturers accounting for 99.2% of total installation capacity in 2023. We ranked the first in terms of growth in installation capacity of LFP power battery from 2022 to 2023, with a year-over-year growth of 601.7%. The following table sets forth details of top LFP EV battery manufacturers in China as measured by EV battery installation capacity in 2023.

Ranking of LFP EV Battery Manufacturers (by installation capacity), China, 2023

Rank	Company Name	Installation Capacity (GWh)	Market Share	22-23 yoy growth
1	Company B	105.4	40.4%	54.4%
2	Company A	88.8	34.0%	10.7%
3	Company C	17.9	6.8%	163.3%
4	Company D	14.7	5.6%	23.7%
5	Company F	14.2	5.4%	215.6%
6	Company J	4.7	1.8%	16.1%
7	**The Group**	**4.1**	1.6%	**601.7%**
8	Company G	3.8	1.4%	39.8%
9	Company I	3.5	1.3%	171.7%
10	Company K	2.1	0.8%	N/A*
	Others	2.2	0.8%	
	Total	**261.2**	**100.0%**	

Source: CABIA, Frost & Sullivan

**Note:* Due to the very small installed capacity of LFP power batteries by Do-Fluoride New Materials in 2022, which was less than 0.1 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 99.6% of total installation capacity in 2023. The following table sets forth details of top PHEV battery manufacturers in China as measured by PHEV battery installation capacity in 2023.

Ranking of PHEV Battery Manufacturers (by installation capacity), China, 2023

Rank	Company Name	Installation Capacity (GWh)	Market Share
1	Company A	25.5	39.9%
2	Company B	24.4	38.2%
3	Company G	5.7	9.0%
4	Company C	3.5	5.5%
5	Company D	1.3	2.1%
6	Company F	1.0	1.5%
7	**The Group**	**0.9**	**1.4%**
8	Company I	0.8	1.2%
9	Company J	0.4	0.6%
10	Company E	0.1	0.1%
	Others	0.3	0.4%
	Total	**63.8**	**100.0%**

Source: CABIA, Frost & Sullivan

Notes:

Company A: A China-based Lithium-Ion battery manufacturer established in 2011, headquartered in Fujian;

Company B: A China-based automotive and Lithium-Ion battery manufacturer established in 1995, headquartered in Guangdong;

Company C: A China-based Lithium-Ion battery manufacturer established in 2015, headquartered in Henan;

Company D: A China-based Lithium-Ion battery manufacturer established in 1995, headquartered in Anhui;

Company E: A Korea-based Lithium-Ion manufacturer spun off in 2020 from a chemicals group, headquartered in Seoul;

Company F: A China-based Lithium-Ion battery manufacturer established in 2001, headquartered in Guangdong;

Company G: A China-based Lithium-Ion battery manufacturer established in 2018, headquartered in Jiangsu;

Company H: A China-based Lithium-Ion battery manufacturer established in 2009, headquartered in Jiangxi;

Company I: A China-based EV battery manufacturer established in 1997, headquartered in Guangdong;

Company J: A China-based Lithium-Ion battery manufacturer established in 2017, headquartered in Zhejiang;

Company K: A China-based new energy materials manufacturer established in 1999, headquartered in Henan.

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 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 5.4 GWh in 2019 to 190.3 GWh in 2023, representing a CAGR of 143.3%. With the continuous advancement of global large-scale renewable power projects, global centralized ESS installation capacity has reached 120.2 GWh in 2023, and is expected to grow to 781.4 GWh in 2028, representing a CAGR of 45.4%. 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 436.2 GWh in 2028, representing a CAGR of 44.2% from 2023 to 2028.

China's ESS battery market is also experiencing rapid development, growing from 0.9 GWh in 2019 to 45.2 GWh in 2023, representing a CAGR of 164.2%, and is expected to further grow to 301.8 GWh in 2028, representing a CAGR of 46.2%.

REPORT COMMISSIONED BY FROST & SULLIVAN

In connection with the [**REDACTED**], 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 Document because we believe such information facilitates an understanding of the relevant markets for potential [**REDACTED**]. 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 RMB[**REDACTED**] for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful [**REDACTED**] 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 [**REDACTED**].

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

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.

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) (2021 version) (《外商投資准入特別管理措施(負面清單)(2021年版)》), which was jointly promulgated by the NDRC and the Ministry of Commerce of People's Republic of China (the "**MOFCOM**") on December 27, 2021 and came into effect on January 1, 2022, 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.

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 Law of the PRC on Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) 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.

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.

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.

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.

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 [**REDACTED**] in the H Shares, nor does it take into account the specific circumstances of any particular [**REDACTED**], some of which may be subject to special regulations. Accordingly, you should consult your own tax adviser regarding the tax consequences of an [**REDACTED**] 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 [**REDACTED**] 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 the Ministry of Finance (the "**MOF**") and the State Administration of Taxation (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 amended on April 23, 2019, 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), 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》(財稅函[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 [**REDACTED**] 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 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 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, Macau, 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 [**REDACTED**] 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 [**REDACTED**] shares obtained from the [**REDACTED**] of [**REDACTED**] 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 [**REDACTED**] 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) (《關於全面推開營業税改徵增值税試點的通知》 (財税[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 (《營業税改徵增值税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税法》) 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%.

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 [**REDACTED**] raised from the overseas [**REDACTED**] 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 [**REDACTED**] issuance, register the overseas [**REDACTED**] with the branch office of SAFE located at its registered address; the [**REDACTED**] from an overseas [**REDACTED**] of a domestic company may be repatriated to China or deposited overseas, provided that the intended use of the [**REDACTED**] shall be consistent with the content of the document or other public disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas [**REDACTED**] to open a dedicated foreign exchange account at a domestic bank for its [**REDACTED**] (or follow-on [**REDACTED**]) 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 [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**], 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.

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 [**REDACTED**] AND [**REDACTED**] 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 [**REDACTED**] and [**REDACTED**] by domestic companies, into a filing-based system. Pursuant to the Overseas Listing Trial Measures, no overseas [**REDACTED**] and [**REDACTED**] shall be made under any of the following circumstances: (i) where such securities [**REDACTED**] and [**REDACTED**] is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) where the intended securities [**REDACTED**] and [**REDACTED**] 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 [**REDACTED**] and [**REDACTED**], 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 [**REDACTED**] and [**REDACTED**] 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.

[**REDACTED**] or [**REDACTED**] in overseas markets shall be filed with the CSRC within three business days after the relevant [**REDACTED**] 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 [**REDACTED**] and

[**REDACTED**] 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 [**REDACTED**] status or transfer of [**REDACTED**] segment; and (iv) voluntary or mandatory [**REDACTED**]. Where an issuer's main business undergoes material changes after overseas [**REDACTED**] and [**REDACTED**] 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 [**REDACTED**] and [**REDACTED**] securities in overseas markets, converting its domestic unlisted shares into shares [**REDACTED**] and [**REDACTED**] on an overseas [**REDACTED**] venue. The term "domestic unlisted shares" refers to shares [**REDACTED**] by a domestic company but not [**REDACTED**] or quoted for [**REDACTED**] on any domestic [**REDACTED**] 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 [**REDACTED**] and [**REDACTED**] 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.

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 [**REDACTED**] and [**REDACTED**], shall strictly abide by applicable PRC laws and regulations on confidentiality when providing or publicly disclosing, either directly or through their overseas [**REDACTED**] entities, documents and materials to securities services providers such as securities companies and accounting firms or overseas regulators in the process of their overseas [**REDACTED**] and [**REDACTED**]. 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 [**REDACTED**] and [**REDACTED**] 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.

OVERVIEW

Our Company was established on February 26, 2019 as a limited liability company under the laws of the PRC, and converted into a joint stock limited liability company on July 17, 2024. We completed the acquisition of certain business of Jiangsu TAFEL under common control as part of the business reorganization of our Group, 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 leading EV and ESS battery manufacturer in China, committed to developing a multi-pathway 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.
	We launched our Universe series BEV battery pack.
	Our Changshu Zenergy Base (Phase II) was put into operation.
	We became the first EV battery company in China to receive AS9100D Aerospace Quality Management System recognition.

Year	Event
	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 launched our Loong series BEV battery pack.
	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 signed the capital increase agreement for our Series B financing.

OUR SUBSIDIARIES

As of the Latest Practicable Date, we had four 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

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, Zenergy Investment further acquired the controlling stake of Jiangsu TAFEL, increasing its equity interests to approximately 43.47% through subscription of increased registered capital of Jiangsu TAFEL and transfer of registered capital held by existing shareholders of Jiangsu TAFEL at a total consideration of RMB1,080 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.

In February 2022, certain parts of Jiangsu TAFEL's business under common control, were acquired and reorganized 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.) (寧波梅山保税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%
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%

Name of Shareholder	Amount of Registered Capital Held	Approximate Ownership Percentage
	(RMB)	
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 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 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) 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 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 RMB1,854,781,500, which was determined based on the valuation of such assets appraised by an independent professional valuer or the book value of the relevant assets at the relevant time. Jiangsu TAFEL has no longer conducted any business operations since the acquisition of its business by our Group, which included the 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.

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 were 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—[**REDACTED**] Equity Incentive Plans" in Appendix IV to this Document.

5. [REDACTED] Investments

We underwent rounds of [**REDACTED**] Investments through the subscription of our increased registered capital by our [**REDACTED**] Investors and equity transfers among our existing shareholders and the [**REDACTED**] Investors. See "—[**REDACTED**] 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%
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%

Name of Shareholder	Number of Shares Held	Approximate Shareholding Percentage
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%
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 *de minimis* partnership interests therein, which is in turn held as to 50% by each of Ms. Cao and Dr. Chen.
- 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 *de minimis* 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, Primearth EV Energy Co., Ltd. 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 Document, 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 [**REDACTED**]. Please refer to Part III of the Accountants' Report in Appendix I to this Document 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.

[REDACTED] EQUITY INCENTIVE PLANS

We adopted the [**REDACTED**] Equity Incentive Plans, details of which are set forth in "Statutory and General Information—[**REDACTED**] Equity Incentive Plans" in Appendix IV to this Document. As of the date of this Document, all options or awards subject to the [**REDACTED**] 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 [**REDACTED**] Equity Incentive Plans following the [**REDACTED**].

REASONS FOR THE [REDACTED]

Our Company is seeking a [**REDACTED**] 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 [**REDACTED**]" in this Document.

[REDACTED] INVESTMENTS

1. Overview

Details of the [**REDACTED**] Investments in our Company are set forth below:

No.	Round	Form of investment	Date of initial investment agreement	Date of full settlement of consideration	[REDACTED] 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.)	[REDACTED] to the H Share [REDACTED][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	[REDACTED]%
					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	[REDACTED] 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.)	[REDACTED] to the H Share [REDACTED][4]
						(RMB)	(RMB)	(RMB billion)	(RMB billion)	(RMB)	
2. . . .	Acquisition of registered capital by [REDACTED] 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	[REDACTED]%
					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	[REDACTED]%
					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]	[REDACTED]%
		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	[REDACTED]%
		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	[REDACTED]%
		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	[REDACTED]%

No.	Round	Form of investment	Date of initial investment agreement	Date of full settlement of consideration	[REDACTED] 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.)	[REDACTED] to the H Share [REDACTED][(4)]
						(RMB)	*(RMB)*	*(RMB billion)*	*(RMB billion)*	*(RMB)*	
3. . .	Series B	Subscription of increased registered capital by cash[(7)]	July 24, 2024	[●]	SINOGY VC	13,104,125	100,000,000	1.0	18.2[(7)]	7.63	[REDACTED]%
					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 [**REDACTED**] Investors, please refer to "—Information about the [**REDACTED**] Investors" in this section.

(2) The post-money valuation of our Company equals the total consideration paid by the [**REDACTED**] Investors in each round of the [**REDACTED**] Investments, divided by the ownership or shareholding percentage of the [**REDACTED**] Investors immediately after the [**REDACTED**] Investment, save for the transfer between Nanjing Jiangning and SINOGY VC.

(3) The cost per unit of registered capital or Share paid by each [**REDACTED**] Investor was calculated based on the amount of investment made and amount of registered capital or number of Shares held by the [**REDACTED**] Investor immediately after the [**REDACTED**] Investment, save for the transfer between Nanjing Jiangning and SINOGY VC.

(4) The [**REDACTED**] to the H Share [**REDACTED**] is calculated based on the assumption that the [**REDACTED**] is HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**].

(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) On July 24, 2024, the Company entered into a capital increase agreement with SINOGY VC, Southeast Investment Holding (defined below), Suchuang Energy Investment (defined below), Mr. Dou Yulin and Ms. Wu Yafeng. The consideration (i) was determined based on arm's length negotiations between the parties after taking into consideration the Company's valuation after Series A financing at the relevant time, as well as the business operations and financial performance of our Group, and (ii) is expected to be fully settled by early August 2024 and will in any case be fully settled by 120 clear days prior to the [**REDACTED**] in accordance with Chapter 4.2 of the Guide for New Listing Applicants published by the Stock Exchange.

(8) The post-money valuation of our Company after the Series B [**REDACTED**] 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 [REDACTED] 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 [**REDACTED**], the Shares issued by the Company prior to the [**REDACTED**] (including the Shares held by the [**REDACTED**] Investors immediately prior to the [**REDACTED**]) are restricted from transfer.
Use of proceeds from the [**REDACTED**] Investments	We utilized the proceeds from the [**REDACTED**] Investments for the operations, business expansion and general working capital purpose of our Group. As of the Latest Practicable Date, assuming that the Series B [**REDACTED**] Investments have been completed, approximately [60.29]% of the funds raised from the [**REDACTED**] Investments have been utilized.
Strategic benefit of the [**REDACTED**] Investments to our Group	At the time of each of the [**REDACTED**] Investments, our Directors were of the view that our Company could benefit from the capital raised through the [**REDACTED**] Investments, the [**REDACTED**] Investors' knowledge and experience, and the endorsement of and confidence in the Group's performance, strength and prospects reflected by the [**REDACTED**] Investments. Additionally, investments from the [**REDACTED**] 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 [REDACTED] Investors

Certain [**REDACTED**] 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 amongst others, all Shareholders with special rights, before the date of our first submission of [**REDACTED**] to the Stock Exchange, and as confirmed by our Directors, all shareholders' special rights granted shall be terminated with immediate effect, except for the redemption rights and anti-dilution rights which were *void ab initio*.

4. Joint Sponsors' Confirmation

On the basis that (i) the [**REDACTED**], being the first day of [**REDACTED**] of the H Shares on the Stock Exchange, will take place no earlier than 120 clear days after completion of the [**REDACTED**] Investments; and (ii) the special rights of the [**REDACTED**] Investors have been terminated as disclosed in "—Special Rights of the [**REDACTED**] Investors" above, the Joint Sponsors confirm that the [**REDACTED**] Investments are in compliance with the [**REDACTED**] Investment Guidance as defined in Chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange.

5. Information about the [REDACTED] Investors

The background information of our [**REDACTED**] 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 Chuanghe Fund Management Co., Ltd. (國投創合基金管理有限公司), which is 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 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

[**REDACTED**] Shares held by all existing Shareholders, representing approximately [**REDACTED**]% of our total issued Shares upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), will not be considered as part of the public float following the completion of the [**REDACTED**] 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 [**REDACTED**] (assuming that the [**REDACTED**] is not exercised):

(a) a total of [**REDACTED**] H Shares held by our core connected persons will not be counted towards the public float, representing [**REDACTED**]% of our share capital in aggregate, including (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, and (iii) Zhengli No. 1 and Zhengli No. 2, each of which is controlled by Ms. Cao, our Chairperson and executive Director;

(b) a total of [**REDACTED**] Unlisted Shares held by the remaining existing Shareholders will be converted into H Shares and [**REDACTED**] on the Stock Exchange, and therefore will be counted as part of the public float, representing [**REDACTED**]% of our share capital in aggregate upon the completion of [**REDACTED**]. 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 [**REDACTED**] H Shares issued pursuant to the [**REDACTED**] will be counted as part of the public float, representing [**REDACTED**]% of our share capital upon the completion of [**REDACTED**] in aggregate.

Based on the above, it is expected that immediately following completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), a total of [**REDACTED**] H Shares, representing [**REDACTED**]% of our total share capital upon the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised) will be counted as part of the public float. As a result, over 25% of our Company's total issued Shares will be held by the public upon completion of the [**REDACTED**] as required under Rule 8.08(1)(a) of the Listing Rules.

CAPITALIZATION

Our Company [has filed] with the CSRC for H-share full circulation to convert certain Unlisted Shares into H Shares upon the [**REDACTED**]. The conversion of Unlisted Shares into H Shares will involve an aggregate of [**REDACTED**] Unlisted Shares, representing approximately [**REDACTED**]% of total issued share capital of the Company upon completion of the [**REDACTED**] (assuming the [**REDACTED**] 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 [**REDACTED**] (assuming the [**REDACTED**] is not exercised) and the conversion of Unlisted Shares into H Shares:

	As of the Latest Practicable Date(1)		Immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised)(1)		
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%	[REDACTED]	[REDACTED]	[REDACTED]%
SINOGY VC	382,045,276	16.01%	[REDACTED]	[REDACTED]	[REDACTED]%
Nanjing Miaode	237,152,124	9.94%	[REDACTED]	[REDACTED]	[REDACTED]%
Huafu Investment	165,689,009	6.94%	[REDACTED]	[REDACTED]	[REDACTED]%
Southeast Investment	119,902,744	5.02%	[REDACTED]	[REDACTED]	[REDACTED]%
Xingsi Shenglian	108,390,811	4.54%	[REDACTED]	[REDACTED]	[REDACTED]%
Wuxi Zhenghai	90,293,737	3.78%	[REDACTED]	[REDACTED]	[REDACTED]%

	As of the Latest Practicable Date[(1)]		Immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[(1)]		
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.)**
Southeast Investment Holding	78,624,750	3.29%	[REDACTED]	[REDACTED]	[REDACTED]%
Fujian Yaohua	60,195,825	2.52%	[REDACTED]	[REDACTED]	[REDACTED]%
Oceanpine Capital	58,968,563	2.47%	[REDACTED]	[REDACTED]	[REDACTED]%
Nanjing Xuande	55,663,715	2.33%	[REDACTED]	[REDACTED]	[REDACTED]%
Wukuang Yuanding	54,176,243	2.27%	[REDACTED]	[REDACTED]	[REDACTED]%
Shuanghe Zhenghua	54,176,243	2.27%	[REDACTED]	[REDACTED]	[REDACTED]%
Beijing Jiade	44,816,795	1.88%	[REDACTED]	[REDACTED]	[REDACTED]%
CICC SAIC Investment	39,312,375	1.65%	[REDACTED]	[REDACTED]	[REDACTED]%
Chenxi No. 12	36,117,495	1.51%	[REDACTED]	[REDACTED]	[REDACTED]%
Nanjing Konggang	33,137,802	1.39%	[REDACTED]	[REDACTED]	[REDACTED]%
Southeast Xinneng	26,208,250	1.10%	[REDACTED]	[REDACTED]	[REDACTED]%
C&D Investment	26,208,250	1.10%	[REDACTED]	[REDACTED]	[REDACTED]%
Chuanghe Xincai	26,208,250	1.10%	[REDACTED]	[REDACTED]	[REDACTED]%
Juxin Xihai	26,208,250	1.10%	[REDACTED]	[REDACTED]	[REDACTED]%
Suchuang Energy Investment	26,208,250	1.10%	[REDACTED]	[REDACTED]	[REDACTED]%
Hengqin New Kinetic Energy	21,068,538	0.88%	[REDACTED]	[REDACTED]	[REDACTED]%
Lianhe Jiaying	20,966,600	0.88%	[REDACTED]	[REDACTED]	[REDACTED]%
Zhengli No. 2	20,000,000	0.84%	[REDACTED]	[REDACTED]	[REDACTED]%
China Industrial Securities Investment Management	17,799,962	0.75%	[REDACTED]	[REDACTED]	[REDACTED]%
Jiaxing Chenyue	17,035,363	0.71%	[REDACTED]	[REDACTED]	[REDACTED]%
Anhui Haichuang	13,104,125	0.55%	[REDACTED]	[REDACTED]	[REDACTED]%
Chengtun Mining	13,104,125	0.55%	[REDACTED]	[REDACTED]	[REDACTED]%
Xiamen ITG Group	13,104,125	0.55%	[REDACTED]	[REDACTED]	[REDACTED]%
Ma Shaodong	12,039,166	0.50%	[REDACTED]	[REDACTED]	[REDACTED]%
Zhongtai Ronghao	9,172,888	0.38%	[REDACTED]	[REDACTED]	[REDACTED]%
Dou Yulin	6,552,063	0.27%	[REDACTED]	[REDACTED]	[REDACTED]%
Wu Yafeng	6,552,063	0.27%	[REDACTED]	[REDACTED]	[REDACTED]%
Zhengli No. 1	3,461,260	0.15%	[REDACTED]	[REDACTED]	[REDACTED]%
Nanjing Heyi	2,620,825	0.11%	[REDACTED]	[REDACTED]	[REDACTED]%
Subtotal	**2,386,976,403**	**100.00%**	[REDACTED]	[REDACTED]	[REDACTED]**%**
Other [REDACTED] taking part in the [REDACTED]	–	–	[REDACTED]	[REDACTED]	[REDACTED]%
Total	**2,386,976,403**	**100.00%**	[REDACTED]	[REDACTED]	**100.00%**

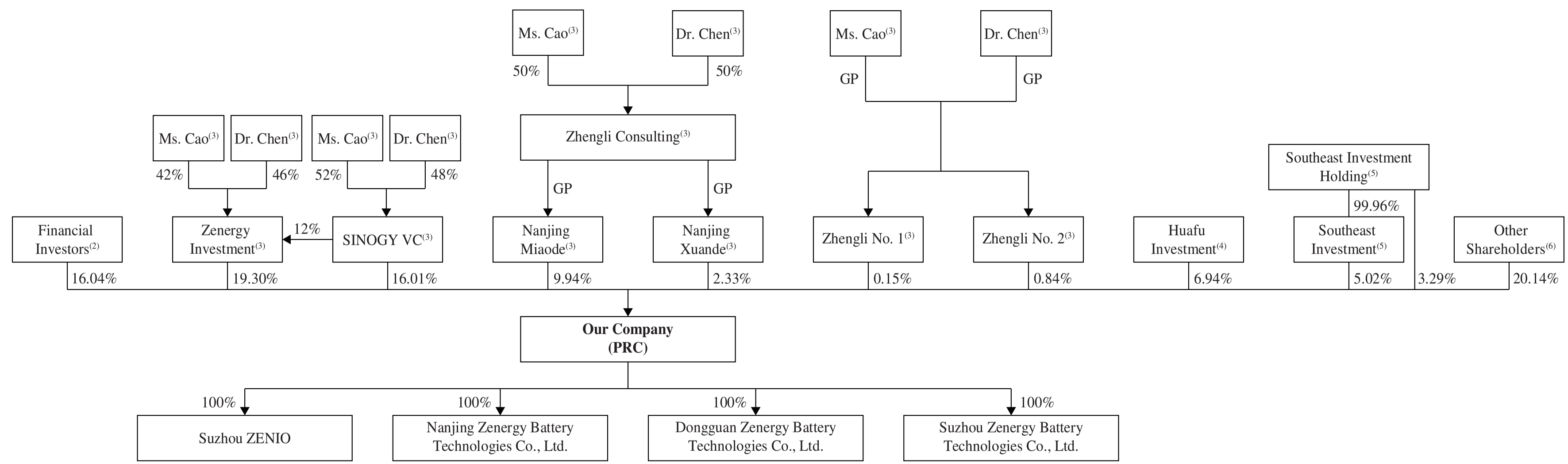
Note:

(1) The shareholding percentages of Shareholders in the Company are based on the assumption that the Series B [**REDACTED**] Investments have been completed.

OUR CORPORATE STRUCTURE

Corporate Structure Immediately Before the Completion of the [REDACTED]

The following chart sets forth our Group's corporate structure immediately prior to the completion of the [**REDACTED**]:



Notes:

(1) The shareholding percentages of Shareholders in the Company are based on the assumption that the Series B [**REDACTED**] Investments have been completed.

(2) The Financial Investors (as defined in the section headed "Relationship With our Controlling Shareholders" in this Document) 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 "Business Reorganization of our Group" or "Information about the [**REDACTED**] Investors" in this section, as applicable.

(3) Immediately before the completion of the [**REDACTED**], 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 Document).

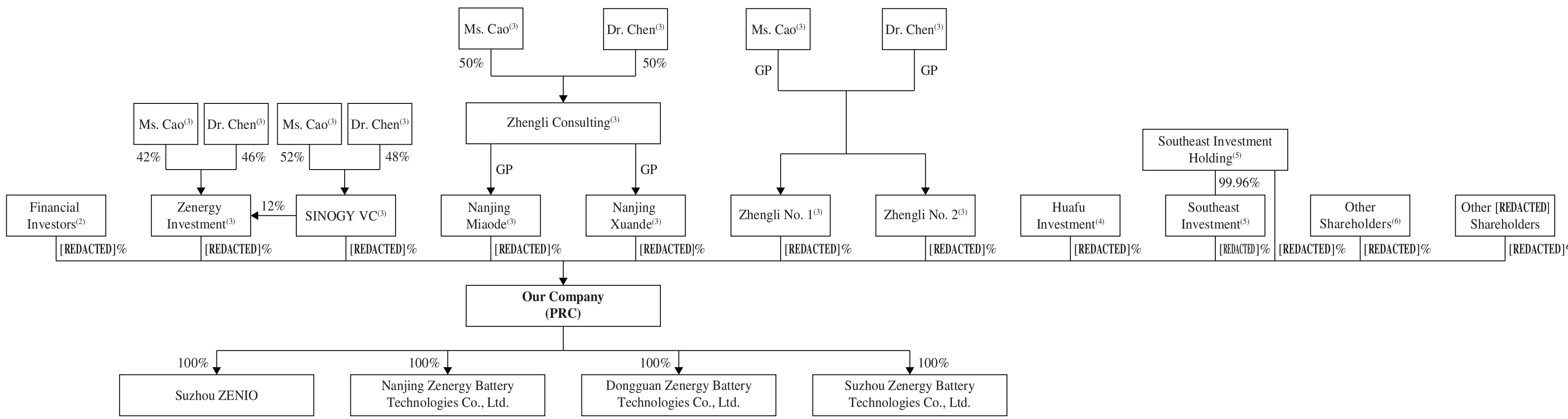
(4) For details of this Shareholder, see "Business Reorganization of our Group" in this section.

(5) For details of these Shareholders, see "Information about the [**REDACTED**] Investors" in this section.

(6) 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 "Business Reorganization of our Group" or "Information about the [**REDACTED**] Investors" in this section.

Corporate Structure Immediately Following the Completion of the [REDACTED]

The following chart sets forth our Group's corporate structure immediately after completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):



Notes:

(1) The shareholding percentages of Shareholders in the Company are based on the assumption that the Series B [**REDACTED**] Investments have been completed.

(2) The Financial Investors (as defined in the section headed "Relationship With our Controlling Shareholders" in this Document) 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 "Business Reorganization of our Group" or "Information about the [**REDACTED**] Investors" in this section, as applicable.

(3) Immediately following the completion of the [**REDACTED**], Ms. Cao and Dr. Chen will together control the voting rights of approximately [**REDACTED**]% 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 Document).

(4) For details of this Shareholder, see "Business Reorganization of our Group" in this section.

(5) For details of these Shareholders, see "Information about the [**REDACTED**] Investors" in this section.

(6) 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 "Business Reorganization of our Group" or "Information about the [**REDACTED**] Investors" in this section.

OVERVIEW

Who We Are

We are a leading EV and ESS battery manufacturer in China, committed to developing a multi-pathway portfolio of market-driven and technology-fueled 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 omni-scenarios of land, sea and air ("**LISA**").

We are one of the few companies among China's top ten power battery manufacturers founded upon deep-rooted heritage and experience in the auto part industry (as measured by 2023 installation capacity, according to Frost & Sullivan). With extensive professional and industry expertise of our core management, we have developed profound insights into the automobile industries. With deep understanding of OEM customers' demands for optimized balance among safety, quality, performance, and cost efficiency, we established our "5-3-1" R&D strategy based on our IPD process. This has enabled us to develop multi-pathway EV battery products as our core business, and to proactively conduct R&D on aviation battery products, positioning us at the forefront of application scenario expansion and rapid technological advancements in the battery industry.

Market Ranking

According to Frost & Sullivan, in China:

- we ranked 10th largest player in EV battery market, 7th largest player in LFP EV battery market, and 8th largest player in NCM EV battery market in terms of 2023 EV battery installation capacity.

- 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).

- we experienced the second fastest growth in overall EV battery installation capacity among the top ten EV battery companies in China (as measured by EV battery installation capacity for the three months ended March 31, 2024), the fastest growth in LFP EV battery installation capacity among the top ten LFP EV battery companies (as measured by LFP EV battery installation capacity for the three months ended March 31, 2024), and the second fastest growth in terms of NCM EV battery installation capacity among the top ten NCM EV battery companies (as measured by NCM EV battery installation capacity for the three months ended March 31, 2024) from the three months ended March 31, 2023 to the three months ended March 31, 2024.

Market Opportunities

The global EV battery market experienced steady growth in installation capacity in recent years, and is expected to further grow from 716.0 GWh in 2023 to 3,513.1 GWh in 2028, representing a CAGR of 37.5%, according to Frost & Sullivan. In China, EV battery installation capacity is expected to grow from 389.0 GWh in 2023 to 1,943.3 GWh in 2028, representing a CAGR of 37.9%.

Despite its growth in installation capacity, 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 profound 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. 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: according to Frost & Sullivan, in China, the proportion of NCM batteries was 65.0% of all EV Batteries in 2019, whereas the proportion of LFP batteries reached 67.1% of all EV Batteries in 2023.

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. According to Frost & Sullivan, the market penetration rate of BEVs in China was 22.2% in 2023 in terms of sales volume, and the sales volume is expected to grow at a CAGR of 12.1% from 2023 to 2028. In contrast, the total market share of PHEVs (including EREVs) in China was 9.3% in 2023, and the sales volume is expected to grow at a CAGR of 38.6% from 2023 to 2028, indicating that PHEVs are poised for faster growth compared to BEVs and will surpass BEVs in sales volume in 2025.

Challenges to EV Battery Manufacturers

The rapidly changing market environment requires battery manufacturers to provide diversified product solutions, posing new challenges to their flexibility in product development. In the early stages of industry development, to meet the stable supply 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, according to Frost & Sullivan. 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.

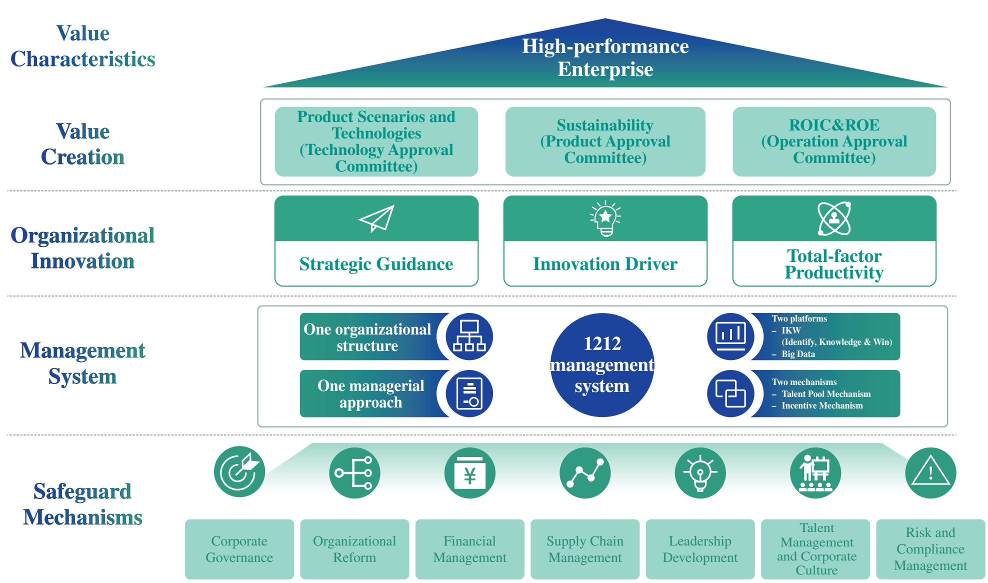
As a result, EV battery manufacturers that are fully market-driven, with the flexibility to easily adapt to technology shifts through the adoption of highly efficient and flexible manufacturing lines, and have products and manufacturing capabilities that cover a multi-pathway high quality and low cost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

Our Differentiated Approach

We are one of the very few players among China's top ten largest EV battery manufacturers (as measured by installation capacity in 2023) that have deep-rooted heritage and experience in the auto part industry. Leveraging our profound insights into OEMs' requirements and preferences to strike the optimal balance among product safety, quality, performance, and cost efficiency, we have developed the following approaches:

- *Innovative 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.

- *Win-win strategy along the industry value chain*. Adhering to the win-win strategy, 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 IPD 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.

- *Multi-pathway and omni-scenario product portfolio.* We offer a multi-pathway portfolio of market-driven and technology-fueled battery products, dedicated to large-scale applications to interconnect omni-scenarios of land, sea and air. 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.

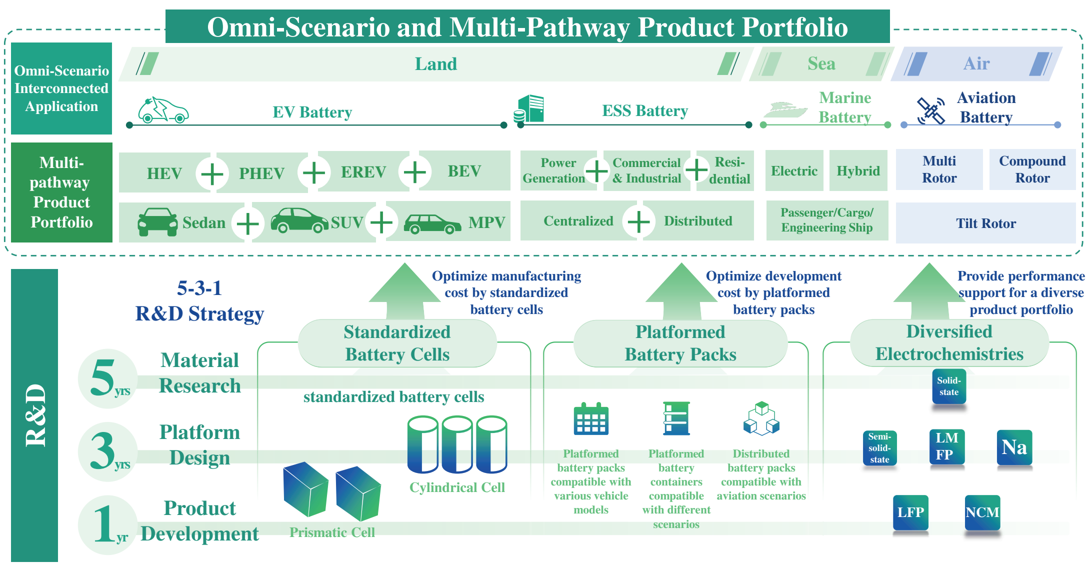
- *Flexible battery cell manufacturing capabilities.* We design and build automated and software-defined battery cell manufacturing facilities with flexible production capabilities. We also adhere to the strategy of concentrating our production capabilities with high focus and in-depth cultivation, as 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 outstanding 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

The following diagram demonstrates our products and technologies.



We have developed a multi-pathway product portfolio dedicated to large-scale applications to interconnect omni-scenarios of land, sea and air. Our EV battery products primarily include NCM and LFP batteries. Our EV batteries cover a variety of EV types such as BEV, PHEV, EREV and HEVs, 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-nickle semi-solid-state Lithium-Ion battery products.

Our EV batteries cover a variety of EV types such as BEV, PHEV, EREV and HEVs, and can be installed in multi-functional vehicles such as sedans, SUVs and MPVs.

Under our forward-looking "5-3-1" R&D strategy, we adopt a market-driven technology and product development approach. We adopt the IPD process to implement the "5-3-1" R&D strategy. 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 multi-generation and multi-pathway technology capabilities and pipeline help us develop diversified products that satisfy customers' rapidly evolving and diverse needs.

As of March 31, 2024, our R&D team consists of over 900 full-time employees, approximately 25% of whom held a Master's degree or above. As of the same date, we had 2,897 patent applications and had been authozided 1,813 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 and 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)*. 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)*. 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 June 30, 2024. It adopts dual semi-solid-state technology, which enjoy an energy density of 306 Wh/kg and 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.

Our Manufacturing Capabilities

Our software-defined battery cell manufacturing facilities feature our proprietary ZOE operational platform, manufacturing operations management ("**MOM**") customization system, "no touch" AI-based visual inspection technologies, 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. Our product manufacturing is highly efficient: 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.

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. During the Track Record Period, satisfaction with our on-time order delivery among customers reached 96% according to results of customer satisfaction evaluations.

As of March 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.

Our Customers

We have forged strong collaboration with leading players in the global mobility 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 March 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.

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.

Our Financial Performance

During the Track Record Period, we experienced rapid 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 RMB227.3 million in the three months ended March 31, 2023 to RMB737.0 million in the three months ended March 31, 2024, representing a growth rate of 224.2%.

Commitment to Green Sustainability

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. To that end, we have established a comprehensive ESG framework and set up a sustainability committee to integrate ESG in our business operations. We have adopted a series of ESG governance measures to become a leader in the new quality productive forces for green energy, such as reducing resource wastage at source through technological innovation, and comprehensive monitoring and evaluation of energy use and carbon footprint throughout our operations.

OUR COMPETITIVE STRENGTHS

Leading EV battery company in China with deep-rooted heritage and experience in the auto part industry

We are one of the few companies among China's top ten power battery manufacturers founded upon deep-rooted heritage and experience in the auto part industry (as measured by 2023 installation capacity, according to Frost & Sullivan). According to Frost & Sullivan, in terms of 2023 EV battery installation capacity, we are the tenth largest player in China's EV battery market, 7th largest player in China's LFP EV battery market, and 8th largest player in China's NCM EV battery market. Among the top ten EV battery companies in China (measured by 2023 EV battery installation capacity), we experienced the second fastest growth in EV battery installation capacity from 2022 to 2023; we also experienced the fastest growth in LFP EV battery installation capacity among top ten LFP EV battery companies in China (measured by 2023 LFP EV battery installation capacity) over the same years.

As former core leadership team members of world-renowned auto parts companies, our core management brings profound insights into the automobile industries, as well as a comprehensive and precise understanding of OEMs' requirements and preferences to strike the optimal 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 multi-pathway products and widespread application scenarios. Such business acumen enables us to launch a multi-pathway EV battery portfolio, and develop a pipeline of marine and aviation battery products.

- *Customer relationships.* We have established strong relationships with a large customer base, covering leading companies in the global mobility and energy storage industries. We strive to establish deep and long-lasting 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.* Under our "5-3-1" R&D strategy based on IPD process, 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.

Multi-pathway 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. EVs account for an overall market share of 34.4% in China's automobile industry in 2023. BEVs, as the currently prevailing type of EVs, accounted for 22.2% and 64.6%, respectively, of total automobile sales and total EV sales in China in 2023. Meanwhile, PHEVs and EREVs have gained traction and experienced rapid growth in recent years due to their long driving ranges and flexible charging options. According to Frost & Sullivan, the sales volume of PHEVs and EREVs in China grew from 0.2 million in 2019 to 2.8 million in 2023, representing a CAGR of 86.5%; the penetration rate of PHEVs and EREVs, as measured by their sales volume over total automobile sales, increased from 0.9% in 2019 to 9.3% in 2023, and is expected to further grow to 42.9% in 2028, the penetration rate of PHEVs and EREVs, measured by their sales volume over total EV sales volume, increased from 15.6% in 2019 to 27.1% in 2023, and is expected to further grow to 50.4% in 2028. HEVs also experienced rapid growth due to their long driving range and cost efficiency. The sales volume of HEVs grew from 0.3 million in 2019 to 0.9 million in 2023, representing a CAGR of 32.4%.

Leveraging our deep understanding of diversified demand of automotive end-users, we have developed a multi-pathway EV battery product portfolio and 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 pioneering products, namely Universe series BEV battery pack and Loong series BEV battery pack, we have become the primary supplier of FAW Hongqi, GAC Trumpchi, Leap Motor, among other leaders in the global EV industry.

- *PHEV products.* We began developing our PHEV product pipeline as early as 2021 in order to capture the growth opportunities in the PHEV market and to gain a competitive edge over our peers in PHEV product performance. We developed a specialized R&D platform for PHEV products to improve product performance. Our PHEV batteries enjoy high cycle life and fast charging performance. We designed our high-speed manufacturing lines with configurations that are compatible with PHEV batteries, which improves the manufacturing efficiency and costs for PHEV battery products. We became the 7th largest manufacturer of PHEV batteries in 2023 in terms of installation capacity in the first year of mass production of PHEV batteries. As of March 31, 2024, we had been selected to manufacture PHEV batteries with a total dimension of over 160 GWh.

- *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 60% in China measured by 2023 sales volume 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 adopted the "5-3-1" R&D strategy based on IPD process which focuses on forward-looking prediction of future technology development trends and, redefining the product development approach centered on customers' pain points. Under the "5-3-1" R&D strategy, we have 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 multi-pathway 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.

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 multi-pathway 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 industry-leading 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, 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. 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, we launched the Loong series BEV battery pack which achieves a total battery capacity of 170 kWh, which is the highest among passenger EV battery pack products in China as June 30, 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 aircrafts, 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 aviation 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 Lithium-Ion battery industrialization. Our development of Lithium-Ion battery products includes two technology pathways, namely Lithium-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 software-defined 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 2023, which is significantly higher than the industry average (approximately 90%), according to Frost & Sullivan. Our ZOE 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 ZOE operational platform. We also collaborate with a global software leader, namely Dassault, in developing and deploying the MOM manufacturing system 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 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. 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, and from BEV batteries to PHEV, EREV and/or HEV 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. During the Track Record Period, satisfaction with our on-time order delivery among customers reached 96% according to results of customer satisfaction evaluations.

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 and long-lasting 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 and long-lasting 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 60% in China's HEV market in terms of 2023 sales volume, and has adopted a multi-pathway 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 multi-pathway omni-scenario 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 LISA 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, marine 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 "5-3-1" R&D strategy based on IPD process

We intend to conduct market-driven and forward-looking layout of new material and electrochemistries, technology platforms and product readiness series under our "5-3-1" R&D strategy based on IPD process. 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 aircrafts.

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 leading EV and ESS battery manufacturer in China, committed to developing a multi-pathway portfolio of market-driven and technology-fueled 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 omni-scenarios of land, sea and air. We are highly focused on technology innovation and developing products with strong performance and high safety. We adopt the "5-3-1" R&D strategy to timely capture changes in industry trends and demands, and adopt the IPD process to implement the "5-3-1" R&D strategy. We believe our "5-3-1" R&D strategy and IPD protocols enable us to develop highly competitive technologies and products that ensure our sustainable growth.

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 profound 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 carefully 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 truly understand and fulfill customer needs and establish long-lasting 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, covering interconnected omni-scenarios of land, sea and air applications. 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.

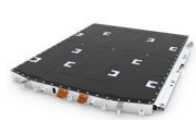
EV Battery Products

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, RMB171.7 million and RMB289.7 million in 2021, 2022, 2023, and the three months ended March 31, 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

We have initiated joint PHEV R&D projects with several OEMs, and have developed batteries with excellent cycle life and performance, the cycle life of which is over 4,000 cycles, and can achieve fast charging in 30 minutes.

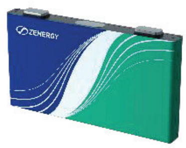
The following table sets forth the details of our key PHEV and EREV battery products.

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.

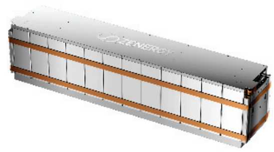
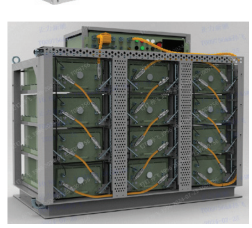
Type	Picture	Specification		
			NCM	NCM
Cell		Battery shape	Prismatic	Prismatic
		Chemical system	NCM/Gr	NCM/Gr
		Capacity (Ah)	5.5	5.0
		Gravimetric density (Wh/kg)	102	92
		Maximum pulse discharge rate (C)	60	80

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, industrial, commercial, marine 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 and industrial and marine energy storage.

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

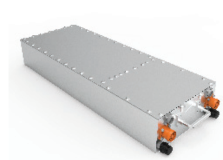
Note:

* Represents products in development.

Aviation Battery Products

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.

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 periods indicated.

	Year Ended December 31,						Three Months Ended March 31,			
	2021		2022		2023		2023		2024	
		%		%		%		%		%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Power battery	1,448,045	96.6	3,116,066	94.7	3,356,865	80.7	178,321	78.5	641,669	87.1
By product										
NCM	1,448,045	96.6	2,628,589	79.9	1,447,995	34.8	91,322	40.2	442,924	60.1
LFP	–	–	487,477	14.8	1,908,870	45.9	86,999	38.3	198,745	27.0
By downstream application										
BEV	1,447,952	96.6	3,103,107	94.3	2,370,954	57.1	171,732	75.6	289,724	39.4
PHEV	–	–	8,567	0.3	971,673	23.3	4,788	2.1	351,670	47.7
Other applications(1)	93	0.0	4,392	0.1	14,238	0.3	1,801	0.8	275	0.0
ESS products	–	–	2,768	0.1	315,306	7.6	1,828	0.8	40,439	5.5
Others(2)	51,251	3.4	171,419	5.2	489,499	11.7	47,133	20.7	54,856	7.4
Total	**1,499,296**	**100.0**	**3,290,253**	**100.0**	**4,161,670**	**100.0**	**227,282**	**100.0**	**736,964**	**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.

EV sales in China demonstrate significant seasonal patterns, primarily driven by seasonal demand fluctuations, policy influences, holidays, and climate conditions, among other factors, according to Frost & Sullivan. 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. 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 periods indicated.

	For the year ended December 31,			For the three months ended March 31,	
	2021	2022	2023	2023	2024
			(MWh)		
Power Battery	2,106.7	3,634.4	5,906.7	216.5	1,150.2
By Product					
NCM	2,106.7	2,947.3	1,466.0	87.6	564.4
LFP	–	687.1	4,440.7	128.9	585.9
By downstream application					
BEV	2,106.6	3,631.4	4,980.6	213.7	716.1
PHEV	–	2.4	924.5	2.6	434.2
Other applications(1)	0.1	0.6	1.5	0.2	*(2)
ESS products	–	3.1	751.0	2.4	115.9

Notes:

(1) Primarily include HEV and aviation applications.

(2) Represents amount smaller than 0.1 MWh.

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

	For the year ended December 31,			For the three months ended March 31,	
	2021	2022	2023	2023	2024
			(RMB/Wh)		
Power battery	0.69	0.86	0.57	0.82	0.56
By product					
NCM	0.69	0.89	0.99	1.04	0.78
LFP	–	0.71	0.43	0.67	0.34
By downstream application					
BEV	0.69	0.85	0.48	0.80	0.40
PHEV	–	3.59	1.05	1.82	0.81
Other applications(1)	0.62	6.88	9.31	8.98	*(2)
ESS products	–	0.89	0.42	0.77	0.35

Notes:

(1) Primarily include HEV and aviation applications.

(2) The sales volume of other applications in the three months ended March 31, 2024 was nominal (less than 0.1 MWh).

Our Star Products

Our R&D capabilities have enabled us to develop the following battery technologies and 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)*. 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)*. 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 June 30, 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 aviation safety standards.

RESEARCH AND DEVELOPMENT

With deep understanding of OEM customers' demands for optimized balance among safety, quality, performance, and cost efficiency, we established our forward-looking "5-3-1" R&D strategy under which we developed multi-pathway EV battery products, and are proactively conducting R&D on aviation battery products, positioning us at the forefront 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.

We adopt the IPD process to implement the "5-3-1" R&D strategy, and to adopt standardized battery cells and platformed battery packs, and differentiate their performance with diversified electrochemistries. This helps ensure that our R&D processes are demand and market-driven, and that our developed technologies and products can capture market opportunities and bring us sustainable growth and competitiveness.

Our IPD 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 over 900 full-time employees in our R&D function as of March 31, 2024, approximately 25% 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 innovative 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, innovative process technology and failure mechanism and emulation, which helps improve the efficiency in developing new technologies and products.

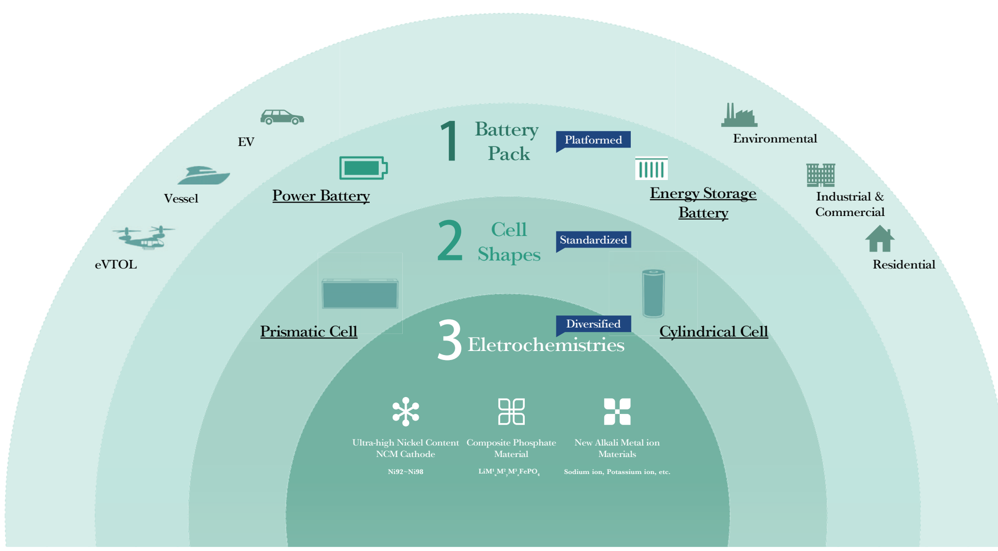
- *Product center.* Our product center is responsible for (i) analyzing the latest industry development trends and understanding customer needs in order to develop new types of battery cells, modules and packs; (ii) R&D on product reliability and safety; and (iii) management of intellectual properties 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

"LISA 3-2-1" R&D Pipeline

We have established the "LISA 3-2-1" R&D pipeline, representing our vision to develop more products to cover interconnected omni-scenarios of land, sea and air applications, as well as the following technology pathways we have developed or are developing:



- *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 March 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 multi-pathway 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 produts 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 multi-pathway 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 Department of Industry and Information Technology of Jiangsu Province.

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 March 31, 2024, we had been granted 14 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 March 31, 2024, we have been granted 40 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 March 31, 2024, we have been granted 41 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 transmissability 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 March 31, 2024, we have been granted 10 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 March 31, 2024, we have been granted 26 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. At the same time, our wing cap technology can effectively prevent the risk of short circuits caused by the reverse insertion of the tab, which significantly enhances the reliability and safety of our products. As of March 31, 2024, we have been granted 22 patents for our wing cap technology.

We adopt positive and negative tab output structures on the same side, which reduces the electron transmission distance by 79% and increases the volume utilization rate by 3%.

R&D Bases

As of the Latest Practicable Date, we have multiple sample manufacturing lines which can accommodate the 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, and meets the testing requirements of GB/T 31484, GB/T 31486, Q/Z 10201-2023, and GB 38031-2020, among others. The lab has over 15,000 sample testing channels to meet the needs of ORT and R&D testing. Our safety and reliability laboratory is equipped with 30 sets of equipment related to nail penetration, extrusion, vibration and thermal runaway. 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.

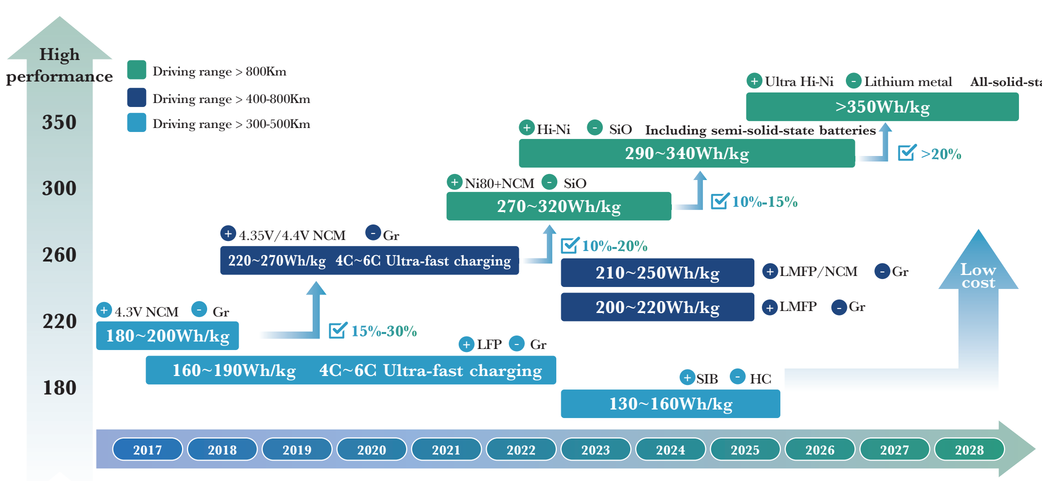
R&D Collaborations

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 Cell Electrochemistries Upgrade

The following chart sets forth our electrochemistries upgrade plan 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 March 31, 2024, we had submitted applications for a total of 2,897 patents, and had been authorized 1,813 patents. We also had 17 granted copyrights and 103 registered trademarks as of March 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.

MANUFACTURING

Software-defined Battery Cell Manufacturing Facilities

Our software-defined battery cell manufacturing facilities feature our proprietary ZOE (Zenergy Operational Excellence) operational platform, MOM manufacturing execution system, AI-based visual inspection technologies, 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 ZOE 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 ZOE operational platform. We also collaborate with a global leader in manufacturing equipment, namely Dassault, in developing and deploying the MOM manufacturing 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. During the Track Record Period, satisfaction with our on-time order delivery among customers reached 96% according to results of customer satisfaction evaluations.

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.

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.

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 Q1	2021	2022	2023	2024 Q1	2021	2022	2023	2024 Q1
Changshu Zenergy	Changshu	305,000	LFP and NCM battery cells for BEV, PHEV and HEV	17.7	1.3	2.2	8.4	3.1	0.9	1.8	3.0	0.9	72.9	82.9	36.1	30.2
Changshu Yinhe	Changshu	68,600	LFP and NCM battery cells for BEV and PHEV	6.4	N/A	2.9	6.1	2.0	N/A	1.3	4.0	0.6	N/A	42.6	66.1	31.7
Nanjing Zenergy	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[3]	Changshu	8,300	Battery modules and battery packs	6.2	4.1	2.3	2.9	1.1	3.3	1.5	1.9	0.7	81.3	64.5	65.9	66.0

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.

(3) As of March 31, 2024, our total designed 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

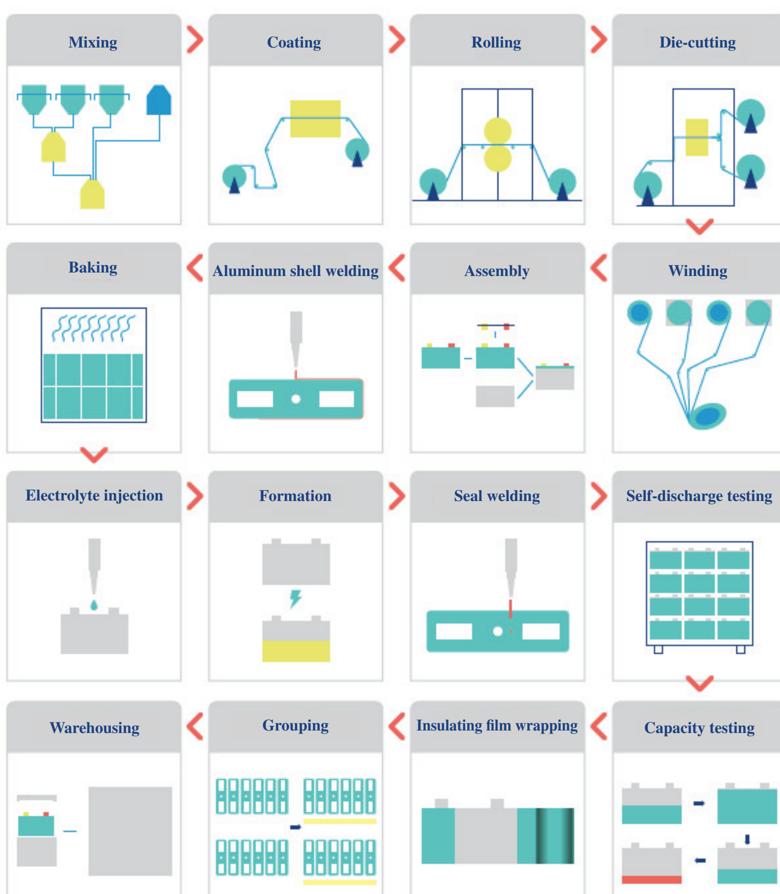
We plan to construct a new production base in Changshu, Jiangsu Province. The new production base, with a site area of approximately 525,000 sq.m., will be used for R&D expansion projects and employee dormitory. The construction of the new production base is expected to be conducted in two phases: (i) Phase I construction will commence in October 2024 including three manufacturing lines for PHEV battery products with an aggregate production capacity of 10.0 GWh. 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 construction of Phase II is expected to finish by December 2026. We have completed the feasibility study of the new production base and are currently undergoing the planning and design for the overall layout.

Manufacturing Process

The manufacturing of our battery products consists of three stages: battery cells, battery modules and battery packs. We deploy our leading manufacturing skills and technologies to optimize the process and enhance efficiency. For details, see "—Software-defined 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.

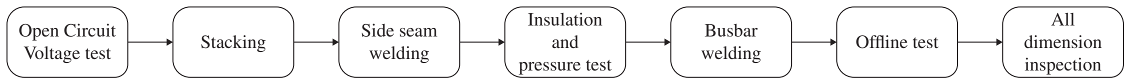
- Capacity testing: SOC and discharge testing of the battery cells to determine capacity.

- 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.

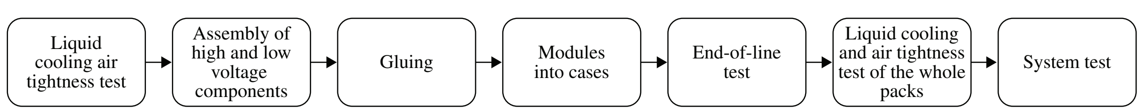
- Side seam welding: The splicing of the metal casings adopts a precision laser welding process to achieve a reliable connection between the casings.

- 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.

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 MOM 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.

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 MOM system.

As of the Latest Practicable Date, we have received the following certifications with respect to quality control.

Certifications	Certifying Authorities	Expiry Date
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	March 24, 2025
ISO45001:2018 Occupational health and safety management systems	SGS	March 24, 2025
ISO14064 Greenhouse gas verification statement	Hangzhou WIT Assessment Co. Ltd. (杭州萬泰認證有限公司)	August 27, 2024
ISO14067 Carbon footprint of products	Hangzhou WIT Assessment Co. Ltd. (杭州萬泰認證有限公司)	October 10, 2026
ISO5001 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-Methylpyrrolidon (NMP), Carbon Nanotube (CNT), and related raw materials.

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, according to Frost & Sullivan. 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. 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.

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, prices are either fixed in the long-term framework agreements, or determined/adjusted taking into account the then prevailing market price when placing orders.

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. 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 the three months ended March 31, 2024, purchases from our largest supplier for the respective period accounted for 40.8%, 38.2%, 14.3% and 19.0% of our total amount of purchase during the respective period, while our five largest suppliers for the respective period accounted for 66.1%, 64.2%, 45.0% and 52.0% of our total amount of purchase during the respective period. 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	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**

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 three months ended March 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	116,503	19.0
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	89,391	14.6
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	57,322	9.4

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. .	Lucky Harvest Co., Ltd.	Cathode material and system main materials	A public company in Guangdong Province founded in 2004 with approximately RMB204.2 million in registered capital that engages in the production of battery precision structures.	2022	60 days	Bank transfer/ acceptance bill	28,720	4.7
5. .	Jiangxi Best New Energy Technology Co., Ltd.	Cell main materials	A private company in Jiangxi Province founded in 2018 with approximately RMB50.0 million in registered capital that engages in the production of battery precision structures.	2020	90 days	Bank transfer/ acceptance bill	26,155	4.3
						Total	**318,091**	**52.0**

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 deep-rooted heritage and 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 outstanding 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 have cooperated with 12 OEMs and obtained 36 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

Sales and Marketing

As of March 31, 2024, our sales and marketing department consists of 64 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.

Customers

The customers of our battery products are primarily EV manufacturers in China. Our sales volume is primarily dependent on the EV mass production and sales of our customers.

In 2021, 2022, 2023 and the three months ended March 31, 2024, sales to our largest customer for the respective period accounted for 55.2%, 29.3%, 28.3% and 47.0% of our revenue, respectively, while our five largest customers for the respective periods accounted for 89.1%, 90.4%, 77.8% and 86.6% of our revenue, respectively.

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. .	Customer X	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
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

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	90 days	Bank transfer	83,654	5.6
5. .	Customer A	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**

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. .	Customer X	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	Other products	A private company in Hunan Province founded in 2023 with approximately RMB2.0 million in registered capital that engages in the trade dealings.	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.

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 three months ended March 31, 2024								
1. .	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	346,572	47.0
2. .	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	94,522	12.8
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	84,642	11.5

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	60 days	Bank transfer/ acceptance bill	82,832	11.2
5. .	Ningbo Deye Energy Storage Technology Co., Ltd	ESS battery	A subsidiary of a public company in Zhejiang Province founded in 2020 with approximately RMB60.0 million in registered capital that engages in the photovoltaic inverters and small appliances manufacturing.	2023	Prepayment/ payment upon receipt	Bank transfer/ acceptance bill	30,251	4.1
						Total	**638,819**	**86.6**

Notes:

(1) Represents GAC Motor 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, strong 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 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.
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.

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.

In each period of 2021, 2022, 2023 and the three months ended March 31, 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 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, according to Frost & Sullivan, 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, global EV battery installation grew from 120.1 GWh in 2019 to 716.0 GWh in 2023, and is expected to further grow at a CAGR of 37.5% to 3,513.1 GWh in 2028; in China, EV battery installation grew from 62.5 GWh in 2019 to 389.0 GWh in 2023, and is expected to further grow at a CAGR of 37.9% to 1,943.3 GWh in 2028. In particular, PHEV has and is expected to continue to experience the fastest growth in market size among different types of EVs: global PHEV battery installation grew from 7.1 GWh in 2019 to 99.7 GWh in 2023, and is expected to further grow at a CAGR of 51.6% to 799.6 GWh in 2028. In addition, global BEV battery installation grew from 110.2 GWh in 2019 to 605.3 GWh in 2023, and is expected to further grow at a CAGR of 34.6% to 2,670.2 GWh in 2028. 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 and RMB4,161.7 million in 2021, 2022 and 2023, respectively, representing a CAGR of 66.6%. Our revenue grew by 224.2% from RMB227.3 million in the three months ended March 31, 2023 to RMB737.0 million in the three months ended March 31, 2024. 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 RMB2,182.8 million as of December 31, 2023 and March 31, 2024, respectively.

However, we have not achieved profitability as of March 31, 2024. Our gross profit was RMB30.2 million, RMB208.5 million, and RMB68.2 million in 2021, 2023 and the three months ended March 31, 2024, and our gross loss was RMB290.3 million and RMB13.5 million in 2022 and the three months ended March 31, 2023. Our net loss was RMB402.3 million, RMB1,720.0 million, RMB589.9 million, RMB167.5 million and RMB69.9 million in 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, respectively.

Our net loss position during 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. We pursue a multi-pathway product development strategy, covering interconnected omni-scenarios of land, sea and air applications. 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 based on IPD 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. 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 Universe series BEV battery pack, Loong series BEV battery pack, 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 the three months ended March 31, 2024, our research and development expenses was RMB221.0 million, RMB329.3 million, RMB424.1 million and RMB129.1 million, respectively, accounting for 14.7% , 10.0%, 10.2% and 17.5% of our total revenue during the same periods, 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 over 900 as of March 31, 2024.

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 the three months ended March 31, 2024, our total manufacturing capacity (including battery cells, modules and packs) reached 6.4 GWh, 8.5 GWh, 17.3 GWh and 6.1 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 the three months ended March 31, 2024, our cost of sales of goods as a percentage of total revenue was 93.0%, 91.2%, 88.2%, and 89.4%, respectively. The general 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 is still at the ramp-up stage.

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 software-defined battery cell manufacturing facilities contribute to precise manufacturing capacity management in response to changes in market demand. Our AI-based visual inspection technology 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, especially the Universe series BEV battery pack and Loong series BEV battery pack, 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 leveraging our "5-3-1" R&D strategy based on IPD process to forecast 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 2022, one of our OEM customers ("**Customer X**") cancelled its purchase orders for our NCM battery products for application in BEVs due to material adverse change in its business operations and the resulting changes in its battery procurement plans. As a direct result of such cancellation, 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. Such cancellation also led to an RMB422.3 million 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. Furthermore, such cancellation by Customer X led to temporary suspension of a manufacturing line in the three months ended March 31, 2023. This negatively affected our gross margin in the same period due to the allocation of fixed overhead costs during the temporary manufacturing suspension.

We also recorded an RMB601.4 million impairment in trade receivables in 2022 which was due from Customer X as a result of the cancellation and the adverse circumstances of Customer X 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.

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.

Fluctuation in Raw Material Prices

Raw material costs account for the largest portion of overall cost of power batteries. In 2021, 2022, 2023 and the three months ended March 31, 2024, cost of raw materials accounted for 77.7%, 71.7%, 73.8% and 76.5% of our total cost of sales, respectively, and 76.1%, 78.0%, 70.1%, and 69.4% 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. 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. 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, and then down to RMB0.62 per Wh in 2023. 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.

Path to Profitability

In light of the above background to our historical results of operations, we expect to continue to record a net loss in 2024. Meanwhile, we intend to adopt the following measures to turn into a 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 omni-scenario product portfolio covering more interconnected omni-scenarios of land, sea and air applications. We also intend to improve our product mix, dedicating the sales of products that enjoy higher gross profits.

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 global mobility 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 36 design-win projects covering 24 product types, including 14 PHEV battery products. We expect over 20 of these design-wins to enter into mass production and delivery in 2024 and 2025, among which 12 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. 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 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.

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. According to Frost & Sullivan, the average manufacturing speed adaptability is approximately 20% to 30% in the power battery industry. 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.

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 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. 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, under our "5-3-1" R&D strategy based on IPD process, we expect to develop and launch new multi-pathway battery products for use under interconnected omni-scenario land, sea and air applications. 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, are expected to account for a decreasing percentage of our revenue. For example, our operating expenses was RMB368.6 million, RMB590.2 million and RMB741.2 million in 2021, 2022 and 2023, accounting for approximately 24.6%, 17.9% and 17.8% of our total revenue during the same years; our operating expenses were RMB158.0 million and RMB205.5 million in the three months ended March 31, 2023 and 2024, respectively, accounting for approximately 69.5% and 27.9% of our total revenue during the same periods, respectively. Thus, 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. In the one months ended December 31, 2023 and the three months ended March 31, 2024, STAES recognized revenue of RMB657.0 million and RMB1,242.3 million, respectively, contributing to investment return for our Group.

Despite our net loss position during 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 muti-pathway 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. As of May 31, 2024, we had unutilized banking facilities of RMB3,191.8 million; in addition, in each of 2022, 2023 and the three months ended March 31, 2024, 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 highly efficient smart logistics system and data system to improve operation efficiency and precise management, and achieve optimal inventory turnover efficiency.

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.

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.

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:

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.

MOM System (Manufacturing Operations Management System) . . . . Powered by the globally renowned Dassault APRISO manufacturing platform, our MOM system serves as a vital platform for intelligized software-defined facilities. The MOM 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 MOM 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 MOM 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 MOM 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 MOM 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 MOM system achieves refined energy management, improves energy utilization efficiency, and reduces energy costs.

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, MOM 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.
Zhuoyi (卓蟻) ZOE Zenergy Big Data Intelligence Platform	Our 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 Document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of March 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 two parcels of land with a total gross land area of approximately 305,744 sq.m. located in China. As of the Latest Practicable Date, we had obtained all relevant land use rights certificates of such two 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 three leased properties in China with a total area of approximately 110,970 sq.m., and one leased facility of approximately 8,880 sq.m. which we have already used but are still in the process of concluding the relevant lease agreement with the lessor. The above properties are primarily used for production facilities, offices and industrial purposes. As of the Latest Practicable Date, all above-mentioned leases have been registered and filed with the relevant PRC authorities.

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.

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.

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
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

Licenses/Permits/Approvals	Issuing Authority	Issue Date	Expiry Date[(1)]
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

We operate in China's power battery industry, which is highly competitive and concentrated with top ten manufacturers accounting for 96.5% of total installation capacity in 2023. We primarily compete with other EV manufacturers in China, as currently the vast majority of power batteries are used in EVs. With the EV battery installation capacity of 5.4 GWh in 2023, our Group ranked tenth among manufacturers of EV battery in China. We experienced the second fastest growth in overall EV battery installation capacity among the top ten EV battery companies in China from 2022 to 2023, and the second fastest growth in overall EV battery installation capacity among the top ten EV battery companies in China from the three months ended March 31, 2023 to the three months ended March 31, 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 multi-pathway and omni-scenario product portfolio, capturing the structural growth opportunity while satisfying different customer needs. Our "5-3-1" R&D strategy based on IPD process enables us to become 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.

AWARDS AND RECOGNITIONS

The following table sets forth some of our recent major awards and achievements.

Award Year	Award name	Award institution
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)
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)

Award Year	Award name	Award institution
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)
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, living to the commitment to becoming a leader in 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 the end of March 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 [**REDACTED**], 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 the end of December 2023, 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 2024 compared to 2023.

- ***Energy and water efficiency targets***: We are constantly improving energy efficiency, aiming at a 47% decrease in comprehensive energy consumption per unit of production capacity in 2024 compared to 2023. We are also actively managing water consumption in our production and operations, targeting a 30% decrease in water consumption per unit of production capacity in 2024 compared to 2023.

- ***GHG emission reduction target***: We are actively responding to the China's strategy for carbon peaking and carbon neutrality, aiming to achieve a 29% reduction in GHG emissions per unit of production capacity in 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, and 2023 were 6.26 tons, 14.35 tons and 6.27 tons, 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.

- ***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. We discharged 89.07 tons, 510.56 tons, and 559.98 tons of hazardous waste in 2021, 2022, and 2023, respectively, which mainly consists of packaging drums, waste rags, cathode sludge, waste oil, waste filter elements, waste activated carbon, and waste electrolyte from our production process. 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.

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**
Electricity consumption	kWh	59,710,112	124,804,527	259,674,611
Electricity consumption intensity	kWh/ Production output (kWh)	30.421	31.502	36.945
Gasoline consumption	L	6,074.29	5,194.38	4,958.14
Natural gas	m^3	7,771,261	15,367,477	28,969,454
Packaging material consumption	t	13,148	4,698	13,733

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, and 944,459 m^3 of water in 2021, 2022, and 2023, 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

Motivated by the vision of "a little bit of strength, to build a zero-carbon society full of positive and virtuous forces," we are striving for green, low-carbon, and sustainable development. We actively respond to climate change by improving climate governance, for which an Energy Management Department has been set up as the main body responsible for carbon emission management, tracking and promoting carbon emission reduction.

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 greenhouse gas (GHG) emissions and certify the carbon footprint of our products every year.

Metric	Unit	2021	2022	2023
GHG emissions	tCO_2e	52,059	106,767	215,175
GHG emission intensity	Tonne CO_2e/ Production output (kWh)	0.027	0.027	0.031
Scope 1 GHG emissions	tCO_2e	18,006	35,591	67,083
Scope 1 GHG emission intensity	Tonne CO_2e/ Production output (kWh)	0.009	0.009	0.010
Scope 2 GHG emissions	tCO_2e	34,053	71,176	148,092
Scope 2 GHG emission intensity	Tonne CO_2e/ Production output (kWh)	0.017	0.018	0.021

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.

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 MOM 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 innovative management strategies and other means.

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. As of March 31, 2024, we have not experienced any product recalls due to safety and health.

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. In 2023, we reached a score of 97.14 in our customer satisfaction survey.

- ***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 have increased precise R&D inputs and established a "5-3-1" R&D strategy based on IPD process to develop battery technologies and products driven by market demand and maintain our product R&D at the industry's frontier. We continuously enhance the core competitiveness of our products, provide a multi-path product portfolio, and commit ourselves to covering interconnected omni-scenarios of land, sea, and air applications to meet the needs of different customers and seize the market opportunities in clean technology. As a result, a series of industry-leading feature products have been launched, 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 2023, our R&D expenses reached RMB424.1 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 March 31, 2024, we have been authorized a total of 1,813 patents, as well as 103 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 March 31, 2024, we had a total of 3,443 employees, 965 of whom were women. Among our employees, 53.3% are 30 years old and below, 45.9% are 31-50 years old, and 0.8% 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 out 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 2023, we partnered with a total of 163 suppliers, two of which were from outside China.

In terms of supplier management, we have implemented the following measures:

- ***Supplier screening and admission***: We have incorporated ESG performance into our supplier admission reviews, requiring suppliers to comply with standards and provisions on environmental protection, labor rights, employee health and safety, business ethics, and intellectual property protection. In 2023, we added new evaluation criteria for energy-efficiency certifications, such as carbon footprint and carbon emissions, to promote suppliers' improvement and enhancement in environmental protection and low carbon.

- ***Supplier evaluation and removal***: 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.

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 March 31, 2024, we have not been involved in any litigation cases.

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 appointment 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 March 31, 2024, we had 3,443 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 March 31, 2024.

	Number of employees	Percentage
R&D	909	26.4%
Management and administration	475	13.8%
Finance	22	0.6%
Sales and marketing	64	1.9%
Manufacturing and production	1,973	57.3%
Total	**3,443**	**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 [**REDACTED**] 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 [**REDACTED**] 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.

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 reappointments. 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)	[41]	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)	[49]	Non-executive Director	June 2023	June 2023	Providing strategic advice to our Group
Independent non-executive Directors					
Dr. Xu Zhiming (許志明)	[62]	Independent non-executive Director	June 2024	June 2024	Providing independent opinion and judgment to the Board
Dr. Gong Zhengliang (龔正良)	[44]	Independent non-executive Director	June 2024	June 2024	Providing independent opinion and judgment to the Board
Dr. Xiao Min (肖瑉)	[53]	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. Ms. Cao served as a director of 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), from 1997 to November 2011, and as the vice general manager of Fuyao Glass from February 2011 to April 2014.

Ms. Cao received an executive master's degree in business administration from Peking University (北京大學) in the PRC.

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 [41], 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 [49], 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 [62], 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 [44], 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 [53], 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 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; (ii) 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 and April 2015, and since May 2022, respectively, (iii) 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 (iv) 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 [**REDACTED**] 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. Liu Gang (劉剛)	[41]	Chairperson of the Supervisory Committee	June 2023	December 2020	Management of the Supervisory Committee and supervising the daily operation of the Group
Mr. Hong Ping (洪平)	[47]	Supervisor	June 2024	June 2024	Management of the Supervisory Committee and supervising the daily operation of the Group
Mr. Ge Wei (葛威) (former name: Ge Xiaowei (葛小威))	[38]	Employee representative Supervisor	June 2024	November 2019	Management of the Supervisory Committee and supervising the daily operation of the Group

Supervisors

Mr. Liu Gang (劉剛), aged [41], is the chairperson of our Supervisory Committee. Mr. Liu joined our Group in December 2020 as an equipment manager and has served as the general manager of galaxy base since January 2022. Mr. Liu has also served as the general manager and executive director of Suzhou ZENIO, a wholly-owned subsidiary of our Group, since January 2024.

Prior to joining our Group, Mr. Liu worked as an equipment manager at Jiangsu TAFEL from December 2017 to November 2020. He also worked at Foshan Weishang Furniture Manufacturing Co., Ltd. (佛山維尚家具製造有限公司) from June 2017 to November 2017, as well as at two subsidiaries of Midea Group Co., Ltd. (美的集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000333), from July 2010 to March 2017.

Mr. Liu received his bachelor's degree in electronic information science and technology from Shandong Agricultural University (山東農業大學) in the PRC in July 2007.

Mr. Hong Ping (洪平), aged [47], is a Supervisor.

Mr. Hong has served as (i) the chairperson of Haohua Financing Leasing (Jiangsu) Co., Ltd. (昊華融資租賃(江蘇)有限公司) since February 2024, (ii) 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, (iii) 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, (iv) 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, (v) 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, (vi) 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, (vii) 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, (viii) member of the budget section of the Changshu Finance Bureau (常熟市財政局) from July to December 2002, and (ix) 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. Ge Wei (葛威) (with former name as Ge Xiaowei (葛小威)), aged [38], is the employee representative Supervisor.

Mr. Ge joined our Group in November 2019 and served as the deputy general manager from December 2020 to September 2021. He then served as the deputy director of the General Manager Office from September 2021 to October 2023 and has served as the deputy director of the integrated management department since October 2023.

Mr. Ge served as deputy general manager of Corun Peve Automotive Battery Co., Ltd. (科力美汽車動力電池有限公司) from December 2017 to October 2019. He worked at Honda R&D Co., Ltd. (本田技術研究所) from May 2016 to September 2017, and at Toyota Intelligent Electric Vehicle R&D Center (China) Co., Ltd. (豐田智能電動汽車研發中心(中國)有限公司) from January 2011 to February 2016.

Mr. Ge received his bachelor's degree in mechanical engineering and automation from Changshu Institute of Technology (常熟理工學院) in the PRC in June 2009.

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
Mr. Tang Jia (唐佳) . .	[38]	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)	[42]	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 [38], 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 is currently pursuing the executive master's degree of business administration from Lancaster University in the United Kingdom and is expected to obtain the graduation diploma in the fourth quarter of 2024.

Mr. Liang Wangchun (梁旺春), aged [42], 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 [**REDACTED**] on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Document. 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. Huang Jie (黃婕), aged [27], joined our Group in February 2024 and successively served as a sales manager and the administrative manager. Ms. Huang was appointed as our joint company secretary in July 2024.

Ms. Huang served as a project manager for corporate ESG scoring & rating in the product development department of China Alliance of Social Value Investment (社會價值投資聯盟) from July 2019 to August 2020, where she was primarily responsible for recruiting and managing a team to conduct ESG rating for China Securities Index 300 (滬深300), developing an A-share Listed Company Sustainable Development Value Assessment Report (A股上市公司可持續發展價值評估報告) and involving in ESG data sourcing, compiling, scoring, and rating by leveraging the publicly available information of the listed companies. Ms. Huang studied at New York University from Spring 2021 to May 2023. Prior to joining our Group, Ms. Huang worked as the co-founder and chief operating officer of FIND Charity (找公益), a non-profit mission focusing on connecting small non-profit organizations with fund contributors.

Ms. Huang obtained her bachelor's degree in ethnology from Sun Yat-Sen University (中山大學) in the PRC in June 2019 and her master's degree in public administration from New York University in the United States in May 2023.

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 (肖珸) and Mr. Zhang Li (張力). Dr. Xiao Min (肖珸) 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 (肖珸). 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 (肖瑨). 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 three years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2024, the total remuneration accrued to our then Directors amounted to approximately RMB5.1 million, RMB4.9 million, RMB5.1 million and RMB1.4 million respectively.

For the three years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2024, the total remuneration accrued to our then Supervisors amounted to approximately RMB1.9 million, RMB2.7 million, RMB3.2 million and RMB0.8 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, 2024 to be approximately RMB8.0 million. The actual remuneration of Directors and Supervisors in 2024 may be different from the expected remuneration.

For the three years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 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 RMB4.8 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.

[REDACTED] EQUITY INCENTIVE PLANS

We adopted the [**REDACTED**] Equity Incentive Plans, details of which are set forth in "Statutory and General Information—[**REDACTED**] Equity Incentive Plans" in Appendix IV to this Document.

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 [**REDACTED**].

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 [41] 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 [**REDACTED**], 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 [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this Document or where our business activities, developments or results deviate from any forecast, estimate or other information in this Document; and

- where the Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or [**REDACTED**] of its [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**].

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 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 (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, [**REDACTED**] and financing.

Immediately prior to the [**REDACTED**], 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 [**REDACTED**] and will be subject to applicable lock-up requirements pursuant to Rule 10.07 of the [**REDACTED**] Rules after [**REDACTED**].

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 [**REDACTED**]. 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 [**REDACTED**].

Immediately upon completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), Ms. Cao and Dr. Chen will together control the voting rights of approximately [**REDACTED**]% 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 [**REDACTED**]. 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 [**REDACTED**] for the reasons set out below.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon the [**REDACTED**], 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 [**REDACTED**].

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 [**REDACTED**]. 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 [**REDACTED**].

In view of our internal resources, our undrawn banking facilities, our net cash generated from operating activities and the estimated net [**REDACTED**] from the [**REDACTED**], our Directors confirm that we will not rely on our Controlling Shareholders for financing support after the [**REDACTED**]. Our Directors also believe that, upon [**REDACTED**], 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 [**REDACTED**], 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 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 [**REDACTED**].

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] and the conversion of our Unlisted Shares to H Shares, assuming the [**REDACTED**] 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[1]		Immediately following the [REDACTED] (assuming the [REDACTED] is not exercised)		
Name of Shareholder	**Nature of Interest**	**Number of Shares**	**Approximate percentage of shareholding in our total share capital**	**Number of Shares[2]**	**Approximate percentage of shareholding in Unlisted Shares/ H Shares[3]**	**Approximate percentage of shareholding in our total share capital[3]**
Ms. Cao[4]	Interest in controlled corporations	1,159,012,918	48.56%	**[REDACTED]** Unlisted Shares (L)	**[REDACTED]**%	**[REDACTED]**%
				[REDACTED] H Shares (L)	**[REDACTED]**%	**[REDACTED]**%
	Interest in parties acting in concert through a controlled corporation	382,946,254	16.04%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Dr. Chen[4]	Interest in controlled corporations	1,159,012,918	48.56%	**[REDACTED]** Unlisted Shares (L)	**[REDACTED]**%	**[REDACTED]**%
				[REDACTED] H Shares (L)	**[REDACTED]**%	**[REDACTED]**%
	Interest in parties acting in concert through a controlled corporation	382,946,254	16.04%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Zenergy Investment[4]	Beneficial interest	460,690,543	19.30%	**[REDACTED]** Unlisted Shares (L)	**[REDACTED]**%	**[REDACTED]**%
				[REDACTED] H Shares (L)	**[REDACTED]**%	**[REDACTED]**%
	Interests of parties acting in concert	382,946,254	16.04%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
SINOGY VC[4]	Beneficial interest	382,045,276	16.01%	**[REDACTED]** Unlisted Shares (L)	**[REDACTED]**%	**[REDACTED]**%
				[REDACTED] H Shares (L)	**[REDACTED]**%	**[REDACTED]**%

		As of the Latest Practicable Date[1]		Immediately following the [REDACTED] (assuming the [REDACTED] is not exercised)		
Name of Shareholder	Nature of Interest	Number of Shares	Approximate percentage of shareholding in our total share capital	Number of Shares[2]	Approximate percentage of shareholding in Unlisted Shares/ H Shares[3]	Approximate percentage of shareholding in our total share capital[3]
Zhengli Consulting[3]	Interest in controlled corporations	292,815,839	12.27%	[REDACTED] Unlisted Shares (L)	[REDACTED]%	[REDACTED]%
				[REDACTED] H Shares (L)	[REDACTED]%	[REDACTED]%
Nanjing Miaode[4]	Beneficial interest	237,152,124	9.94%	[REDACTED] H Shares (L)	[REDACTED]%	[REDACTED]%
Fujian Province Investment Development Group Co., Ltd. (福建省投資開發集團有限公司)[5]	Interest in a controlled corporation	274,079,820	11.48%	[REDACTED] Unlisted Shares (L)	[REDACTED]%	[REDACTED]%
				[REDACTED] H Shares (L)	[REDACTED]%	[REDACTED]%
Fujian Financial Investment Co., Ltd. (福建省金融投資有限責任公司)[5]	Interest in a controlled corporation	274,079,820	11.48%	[REDACTED] Unlisted Shares (L)	[REDACTED]%	[REDACTED]%
				[REDACTED] H Shares (L)	[REDACTED]%	[REDACTED]%
Huafu Securities Co., Ltd. (華福證券有限責任公司)[5]	Interest in a controlled corporation	274,079,820	11.48%	[REDACTED] Unlisted Shares (L)	[REDACTED]%	[REDACTED]%
				[REDACTED] H Shares (L)	[REDACTED]%	[REDACTED]%
Huafu Investment[5]	Beneficial interest	165,689,009	6.94%	[REDACTED] Unlisted Shares (L)	[REDACTED]%	[REDACTED]%
				[REDACTED] H Shares (L)	[REDACTED]%	[REDACTED]%
	Interest in a controlled corporation	108,390,811	4.54%	[REDACTED] H Shares (L)	[REDACTED]%	[REDACTED]%
Lin Yongzhong (林永忠)[5]	Interest in a controlled corporation	108,390,811	4.54%	[REDACTED] H Shares (L)	[REDACTED]%	[REDACTED]%
Zhongjin (Fujian) Venture Capital Co., Ltd. (中金(福建)創業投資有限責任公司)[5]	Interest in a controlled corporation	108,390,811	4.54%	[REDACTED] H Shares (L)	[REDACTED]%	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

		As of the Latest Practicable Date[1]		Immediately following the [REDACTED] (assuming the [REDACTED] is not exercised)		
Name of Shareholder	Nature of Interest	Number of Shares	Approximate percentage of shareholding in our total share capital	Number of Shares[2]	Approximate percentage of shareholding in Unlisted Shares/ H Shares[3]	Approximate percentage of shareholding in our total share capital[3]
Xingsi Shenglian[5] . . .	Beneficial interest	108,390,811	4.54%	**[REDACTED]** H Shares (L)	**[REDACTED]**%	**[REDACTED]**%
Changshu Hi-Tech Holding Co., Ltd. (常熟市高新控股有限公司)[6]	Interest in a controlled corporation	224,735,744	9.42%	**[REDACTED]** Unlisted Shares (L)	**[REDACTED]**%	**[REDACTED]**%
				[REDACTED] H Shares (L)	**[REDACTED]**%	**[REDACTED]**%
Southeast Investment Holding[6]	Beneficial interest	78,624,750	3.29%	**[REDACTED]** Unlisted Shares (L)	**[REDACTED]**%	**[REDACTED]**%
	Interest in a controlled corporation	146,110,994	6.12%	**[REDACTED]** Unlisted Shares (L)	**[REDACTED]**%	**[REDACTED]**%
				[REDACTED] H Shares (L)	**[REDACTED]**%	**[REDACTED]**%
Southeast Investment[6] .	Beneficial interest	119,902,744	5.02%	**[REDACTED]** Unlisted Shares (L)	**[REDACTED]**%	**[REDACTED]**%
				[REDACTED] H Shares (L)	**[REDACTED]**%	**[REDACTED]**%
	Interest in a controlled corporation	26,208,250	1.10%	**[REDACTED]** Unlisted Shares (L)	**[REDACTED]**%	**[REDACTED]**%
				[REDACTED] H Shares (L)	**[REDACTED]**%	**[REDACTED]**%
Wang Zhengdong (王正東)[7]	Interest in a controlled corporation	103,397,862	4.33%	**[REDACTED]** H Shares (L)	**[REDACTED]**%	**[REDACTED]**%
Shanghai Royalsea Capital Management Ltd. (上海正海資產管理有限公司)[7]	Interest in controlled corporations	103,397,862	4.33%	**[REDACTED]** H Shares (L)	**[REDACTED]**%	**[REDACTED]**%
Wuxi Zhenghai[7]	Beneficial interest	90,293,737	3.78%	**[REDACTED]** H Shares (L)	**[REDACTED]**%	**[REDACTED]**%

Notes:

(1) In this table and its notes, figures are presented and references to the Latest Practicable Date are made on the assumption that the Series B [**REDACTED**] Investments have been completed.

(2) The letter "L" denotes the person's long position in the Shares.

(3) The calculation is based on the total number of [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares in issue immediately after completion of the [**REDACTED**] since [**REDACTED**] Unlisted Shares will be converted into H Shares and [**REDACTED**] H Shares will be issued pursuant to the [**REDACTED**], assuming that the [**REDACTED**] is not exercised.

(4) 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, [**REDACTED**] 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 [**REDACTED**]. As such, immediately upon completion of the [**REDACTED**] (assuming that the [**REDACTED**] 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.

(5) 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 56.00% by Fujian Financial Investment Co., Ltd. (福建省金融投資有限責任公司) and 33.71% by Fujian Province Investment Development Group Co., Ltd. (福建省投資開發集團有限公司) respectively. Fujian Financial Investment Co., Ltd. is wholly owned by the Fujian Provincial Department of Finance (福建省財政廳). Fujian Province Investment Development Group Co., Ltd. is wholly owned by the State-owned Assets Supervision and Administration Commission of Fujian Provincial People's Government (福建省人民政府國有資產監督管理委員會). Therefore, by virtue of the SFO, each of Zhongjin (Fujian) Venture Capital Co., Ltd. and Lin Zhongyong is deemed to be interested in the Shares held by Xingsi Shenglian, and each of Huafu Securities Co., Ltd., Fujian Financial Investment Co., Ltd. and Fujian Province Investment Development Group Co., Ltd. is deemed to be interested in the Shares held by Huafu Investment and Xingsi Shenglian.

(6) 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.

(7) 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 [**REDACTED**].

BEFORE THE COMPLETION OF THE [REDACTED]

As of the Latest Practicable Date (on the assumption that the Series B [**REDACTED**] Investments have been completed), 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 [REDACTED]

Immediately following the completion of the [**REDACTED**] and the conversion of certain Unlisted Shares into H Shares, assuming that the [**REDACTED**] 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	[**REDACTED**]	[**REDACTED**]%
H Share to be converted from Unlisted Shares	[**REDACTED**]	[**REDACTED**]%
H Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	**100.00%**

Immediately following the completion of the [**REDACTED**] and the conversion of certain Unlisted Shares into H Shares, assuming the [**REDACTED**] 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	[**REDACTED**]	[**REDACTED**]%
H Share to be converted from Unlisted Shares	[**REDACTED**]	[**REDACTED**]%
H Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	**100.00%**

RANKING

Upon completion of the [**REDACTED**], 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 [**REDACTED**] 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 Document. 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 [**REDACTED**] 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 [**REDACTED**] Unlisted Shares held by the existing Shareholders into H Shares on a one-for-one basis [have been completed] on [●], 2024.

Upon completion of the [**REDACTED**], all our Unlisted Shares (other than those to be converted to H Shares) are not [**REDACTED**] or [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**]. As any [**REDACTED**] of additional Shares after our initial [**REDACTED**] 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 [**REDACTED**] for [**REDACTED**] at the time of our initial [**REDACTED**] in Hong Kong.

No class Shareholder voting is required for the [**REDACTED**] and [**REDACTED**] of the converted Shares on the Hong Kong Stock Exchange. Any [**REDACTED**] for [**REDACTED**] of the converted Shares on the Hong Kong Stock Exchange after our initial [**REDACTED**] 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 [**REDACTED**] maintained in Hong Kong and instruct the [**REDACTED**] to issue H Share certificates. Registration on our [**REDACTED**] will be on the condition that (a) our [**REDACTED**] lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the [**REDACTED**] of members and the due dispatch of H Share certificates and (b) the admission of the H Shares to [**REDACTED**] 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 [**REDACTED**], such Shares would not be [**REDACTED**] as H Shares.

For further details, see "Risk Factors—Risks Relating to the [**REDACTED**]—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 to raise capital through [**REDACTED**] of our H Shares."

TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

Pursuant to the PRC Company Law, our Shares issued prior to the [**REDACTED**] shall not be transferred within one year from the [**REDACTED**]. 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 [**REDACTED**], nor within half a year after they leave their positions as Directors, Supervisors or members of the senior management in our Company.

See "[**REDACTED**]" for details of the lock-up undertakings.

[REDACTED] EQUITY INCENTIVE PLANS

We adopted the [**REDACTED**] Equity Incentive Plans, details of which are set forth in "Statutory and General Information—[**REDACTED**] Equity Incentive Plans" in Appendix IV to this Document.

GENERAL MANDATE TO ISSUE SHARES, SELL AND/OR TRANSFER TREASURY SHARES AND REPURCHASE MANDATE

Subject to the completion of the [**REDACTED**], 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 "Appendix IV—Statutory and General Information—Further Information about Our Company—Resolutions of our Shareholders" for further details.

REGISTRATION OF SHARES NOT [REDACTED] 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 [**REDACTED**] 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 [**REDACTED**] is completed.

SHAREHOLDERS' GENERAL MEETING

See "Appendix III—Summary of Articles of Association" 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 Document. 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 and 2023 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 document.

OVERVIEW

We are a leading EV and ESS battery manufacturer in China, committed to developing a multi-pathway portfolio of market-driven and technology-fueled 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 omni-scenarios of land, sea and air ("**LISA**").

During the Track Record Period, we experienced rapid 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 RMB227.3 million in the three months ended March 31, 2023 to RMB737.0 million in the three months ended March 31, 2024, representing a growth rate of 224.2%.

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; (iii) marine; and (iv) 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 highly 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 has been the largest component of our cost of sales. In 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024, the cost of raw materials was RMB1,141.7 million, RMB2,565.6 million, RMB2,917.1 million, RMB98.6 million and RMB511.6 million, respectively, accounting for 77.7%, 71.7%, 73.8%, 41.0%, and 76.5% 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 as well as phosphorus source yellow phosphorus and nickel source nickel sulfate, 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 multi-pathway 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 deep understanding of OEM customers' demands for optimized balance among safety, quality, performance, and cost efficiency, we adopted the forward-looking "5-3-1" R&D strategy based on IPD process under which we developed multi-pathway EV battery products (covering battery products for BEV, PHEV, EREV and HEV vehicle models), and are proactively conducting R&D on aviation battery products, positioning us at the forefront of application scenario expansion and rapid technological iterations in the battery industry. We believe our "5-3-1" R&D strategy enable 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 2022, one of our OEM customers ("**Customer X**") cancelled its purchase orders for our NCM battery products for application in BEVs due to material adverse change in its business operations and the resulting changes in its battery procurement plans. As a direct result of such cancellation, 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. Such cancellation also led to an RMB422.3 million 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. Furthermore, such cancellation by Customer X led to temporary suspension of a manufacturing line which were originally assigned to manufacture for Customer X. The suspension was due to the amount of time needed to develop new customers for the relevant manufacturing line. This negatively affected our gross margin in the same period due to the allocation of fixed overhead costs during the temporary manufacturing suspension.

We also recorded an RMB601.4 million impairment in trade receivables in 2022 which was due from Customer X as a result of the cancellation and the adverse circumstances of Customer X 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.

However, we believe the impact of order cancellation by Customer X was one-off in nature. See "Business—Business Sustainability" for details on our subsequent measures to prevent similar incidents going forward.

BASIS OF PRESENTATION AND PREPARATION

See Notes 2.1 and 2.2 of the accountants' report included in Appendix I to this Document 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 Document for details on our material accounting policy information and material accounting judgments and estimates.

RESULTS OF OPERATIONS

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

	Year ended December 31,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	(RMB in thousands)				
				(unaudited)	
Revenue	1,499,296	3,290,253	4,161,670	227,282	736,964
Cost of sales					
Cost of sales of goods	(1,393,991)	(3,001,272)	(3,670,744)	(215,185)	(658,515)
Impairment losses on inventories	(75,127)	(579,261)	(282,437)	(25,640)	(10,221)
Gross Profit/(Loss)	30,178	(290,280)	208,489	(13,543)	68,228
Other income and gains	20,833	48,954	49,265	15,610	13,159
Selling and marketing expenses	(12,848)	(19,779)	(57,618)	(9,273)	(8,464)
Administrative expenses	(134,738)	(241,116)	(259,466)	(53,352)	(67,853)
Research and development expenses	(221,047)	(329,277)	(424,099)	(95,367)	(129,142)
Impairment (losses)/gains on financial assets and contract assets, net	(22,457)	(600,057)	(10,837)	358	5,475
Other expenses	(1,400)	(267,524)	(11,568)	(343)	(531)
Finance costs	(70,217)	(32,892)	(73,451)	(13,438)	(31,457)
Share of profits/(losses) of joint ventures	–	923	(25,094)	(1,810)	77,217
LOSS BEFORE TAX	(411,696)	(1,731,048)	(604,379)	(171,158)	(73,368)
Income tax credit	9,421	11,067	14,512	3,628	3,469
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD	(402,275)	(1,719,981)	(589,867)	(167,530)	(69,899)
Loss attributable to:					
Owners of the parent	(402,275)	(1,719,981)	(589,867)	(167,530)	(69,899)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted (RMB)	(0.26)	(1.01)	(0.31)	(0.09)	(0.03)

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) as an additional financial measure, which is 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, non-recurring and non-operation 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/period 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, and impairment losses on financial assets and inventories in relation to purchase order cancellation by Customer X. The following table sets forth a reconciliation of our EBITDA (non-IFRS measure) for 2021, 2022, 2023 and the three months ended March 31, 2023 and 2024 to the nearest measures prepared in accordance with IFRS.

	Year Ended December 31,			Three Months Ended March 31,	
	2021	2022	2023	2023	2024
	(RMB in thousands)				
				(unaudited)	
Loss for the year/period	**(402,275)**	**(1,719,981)**	**(589,867)**	**(167,530)**	**(69,899)**
Finance costs	70,217	32,892	73,451	13,438	31,457
Depreciation and amortization	185,674	294,001	413,853	103,869	134,506
Income tax credit	(9,421)	(11,067)	(14,512)	(3,628)	(3,469)
Interest income	(8,155)	(17,896)	(33,230)	(6,227)	(10,456)
EBITDA (non-IFRS measure)	**(163,960)**	**(1,422,051)**	**(150,305)**	**(60,078)**	**82,139**
Share-based payments	22,611	35,038	43,934	10,086	13,806
Impairment losses on financial assets[1] (non-IFRS measure)	–	601,364	–	–	–
Impairment losses on inventories[1] (non-IFRS measure)	–	422,255	–	–	–
Adjusted EBITDA (non-IFRS measure)	**(141,349)**	**(363,394)**	**(106,371)**	**(49,992)**	**95,945**

Note:

1. Represents amount in relation to Customer X only.

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

	Year Ended December 31,						Three Months Ended March 31,			
	2021		2022		2023		2023		2024	
		%		%		%		%		%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Power battery	1,448,045	96.6	3,116,066	94.7	3,356,865	80.7	178,321	78.5	641,669	87.1
By product										
NCM	1,448,045	96.6	2,628,589	79.9	1,447,995	34.8	91,322	40.2	442,924	60.1
LFP	–	–	487,477	14.8	1,908,870	45.9	86,999	38.3	198,745	27.0
By downstream application										
BEV	1,447,952	96.6	3,103,107	94.3	2,370,954	57.1	171,732	75.6	289,724	39.4
PHEV	–	–	8,567	0.3	971,673	23.3	4,788	2.1	351,670	47.7
Other applications(1)	93	0.0	4,392	0.1	14,238	0.3	1,801	0.8	275	0.0
ESS products	–	–	2,768	0.1	315,306	7.6	1,828	0.8	40,439	5.5
Others(2)	51,251	3.4	171,419	5.2	489,499	11.7	47,133	20.7	54,856	7.4
Total	**1,499,296**	**100.0**	**3,290,253**	**100.0**	**4,161,670**	**100.0**	**227,282**	**100.0**	**736,964**	**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.

Revenue by Region

During the Track Record Period, we generated almost all of our revenue from operations in China.

Sales Volume and Average Selling Price of Battery Products

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

	For the year ended December 31,			For the three months ended March 31,	
	2021	2022	2023	2023	2024
			(MWh)		
Power Battery	2,106.7	3,634.4	5,906.7	216.5	1,150.2
By Product					
NCM	2,106.7	2,947.3	1,466.0	87.6	564.4
LFP	–	687.1	4,440.7	128.9	585.9
By downstream application					
BEV	2,106.6	3,631.4	4,980.6	213.7	716.1
PHEV	–	2.4	924.5	2.6	434.2
Other applications(1)	0.1	0.6	1.5	0.2	*(2)
ESS products	–	3.1	751.0	2.4	115.9

Notes:

(1) Primarily include HEV and aviation applications.

(2) Represents amount smaller than 0.1 MWh.

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

	For the year ended December 31,			For the three months ended March 31,	
	2021	2022	2023	2023	2024
			(RMB/Wh)		
Power battery	0.69	0.86	0.57	0.82	0.56
By product					
NCM	0.69	0.89	0.99	1.04	0.78
LFP	–	0.71	0.43	0.67	0.34
By downstream application					
BEV	0.69	0.85	0.48	0.80	0.40
PHEV	–	3.59	1.05	1.82	0.81
Other applications(1)	0.62	6.88	9.31	8.98	*(2)
ESS products	–	0.89	0.42	0.77	0.35

Notes:

(1) Primarily include HEV and aviation applications.

(2) The sales volume of other applications in the three months ended March 31, 2024 was nominal (less than 0.1 MWh).

Cost of Sales

Our cost of sales primarily includes raw materials, 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 periods indicated, both in absolute amounts and as percentages of our total cost of sales.

	Year Ended December 31,						Three Months Ended March 31,			
	2021		2022		2023		2023		2024	
		%		%		%		%		%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Raw materials	1,141,686	77.7	2,565,621	71.7	2,917,051	73.8	98,641	41.0	511,598	76.5
Manufacturing costs	117,355	8.0	134,249	3.7	262,294	6.6	66,060	27.4	57,541	8.6
Labor costs	76,544	5.2	105,480	2.9	247,944	6.3	29,061	12.1	46,359	6.9
Subtotal	**1,335,585**	**90.9**	**2,805,350**	**78.3**	**3,427,289**	**86.7**	**193,762**	**80.5**	**615,498**	**92.0**
Other operating costs	33,324	2.3	128,595	3.6	169,254	4.3	16,845	7.0	26,183	4.0
Warranty costs	25,082	1.7	67,327	1.9	74,201	1.9	4,578	1.9	16,834	2.5
Impairment losses on inventories	75,127	5.1	579,261	16.2	282,437	7.1	25,640	10.6	10,221	1.5
Total	**1,469,118**	**100.0**	**3,580,533**	**100.0**	**3,953,181**	**100.0**	**240,825**	**100.0**	**668,736**	**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,						Three Months Ended March 31,			
	2021		2022		2023		2023		2024	
		%		%		%		%		%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Cathode materials	644,131	56.5	1,631,577	63.7	1,503,681	51.5	59,815	60.6	214,641	41.9
Anode materials	194,447	17.0	329,606	12.8	513,004	17.6	14,982	15.2	89,926	17.6
Electrolyte	134,061	11.7	201,218	7.8	214,480	7.4	8,548	8.7	20,013	3.9
Separation film	61,622	5.4	124,178	4.8	119,446	4.1	1,641	1.7	24,353	4.8
Others	107,425	9.4	279,042	10.9	566,440	19.4	13,655	13.8	162,665	31.8
Total	**1,141,686**	**100.0**	**2,565,621**	**100.0**	**2,917,051**	**100.0**	**98,641**	**100.0**	**511,598**	**100.0**

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

	Year Ended December 31,						Three Months Ended March 31,			
	2021		2022		2023		2023		2024	
		%		%		%		%		%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Power battery	1,339,662	91.2	2,827,885	79.0	2,925,482	74.0	167,532	69.6	565,526	84.6
By product										
NCM	1,339,662	91.2	2,409,273	67.3	1,257,029	31.8	83,502	34.7	391,634	58.6
LFP	–	–	418,612	11.7	1,668,453	42.2	84,030	34.9	173,892	26.0
By downstream application										
BEV	1,339,578	91.2	2,815,857	78.7	2,085,660	52.8	161,891	67.2	255,641	38.3
PHEV	–	–	8,379	0.2	826,619	20.9	4,512	1.9	309,634	46.3
Other applications(1)	84	0.0	3,649	0.1	13,203	0.3	1,129	0.5	251	0.0
ESS products	–	–	2,330	0.1	289,805	7.3	1,659	0.7	37,952	5.7
Others(2)	54,329	3.7	171,057	4.7	455,457	11.5	45,994	19.1	55,037	8.2
Impairment losses on inventories	75,127	5.1	579,261	16.2	282,437	7.2	25,640	10.6	10,221	1.5
Total	**1,469,118**	**100.0**	**3,580,533**	**100.0**	**3,953,181**	**100.0**	**240,825**	**100.0**	**668,736**	**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 and at March 31, 2024 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 Document for further details on accounting information regarding impairment losses. Impairment losses on inventories were RMB75.1 million, RMB579.3 million, RMB282.4 million, RMB25.6 million and RMB10.2 million in 2021, 2022, 2023, and the three months ended March 31, 2023 and 2024, respectively. The significant impairment losses in 2022 were primarily due to purchase order cancellation by Customer X. 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 in 2023 were primarily due to a significant decrease in overall prices of raw materials in the industry, which led to a decrease in the recoverable amount of inventories to below their carrying amount.

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 periods indicated.

	Year Ended December 31,						Three Months Ended March 31,			
	2021		2022		2023		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	Gross profit/(loss)	Gross profit/(loss) margin
		%		%		%		%		%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Power battery	108,383	7.5	288,181	9.2	431,383	12.9	10,789	6.1	76,143	11.9
By product										
NCM	108,383	7.5	219,316	8.3	190,966	13.2	7,820	8.6	51,290	11.6
LFP	–	–	68,865	14.1	240,417	12.6	2,969	3.4	24,853	12.5
By downstream application										
BEV	108,374	7.5	287,250	9.3	285,294	12.0	9,841	5.7	34,083	11.8
PHEV	–	–	188	2.2	145,054	14.9	276	5.8	42,036	12.0
Other applications[(1)]	9	9.7	743	16.9	1,035	7.3	672	37.3	24	8.7
ESS products	–	–	438	15.8	25,501	8.1	169	9.2	2,487	6.2
Others[(2)]	(3,078)	(6.0)	362	0.2	34,042	7.0	1,139	2.4	(181)	(0.3)
Impairment losses on inventories	(75,127)	N/A	(579,261)	N/A	(282,437)	N/A	(25,640)	N/A	(10,221)	N/A
Total	**30,178**	**2.0**	**(290,280)**	**(8.8)**	**208,489**	**5.0**	**(13,543)**	**(6.0)**	**68,228**	**9.3**

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.

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 periods indicated.

	Year Ended December 31,						Three Months Ended March 31,			
	2021		2022		2023		2023		2024	
		%		%		%		%		%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Other income										
Government grants	6,088	29.2	5,067	10.4	889	1.8	69	0.4	524	4.0
Interest income	8,155	39.1	17,896	36.6	33,230	67.5	6,227	39.9	10,456	79.5
Others	4,712	22.7	1,804	3.6	7,192	14.6	4,232	27.1	1,581	12.0
Total other income	18,955	91.0	24,767	50.6	41,311	83.9	10,528	67.4	12,561	95.5
Gains										
Investment income on structured deposits and wealth management products	1,775	8.5	9,501	19.4	6,596	13.4	5,082	32.6	–	–
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	–	–	–	–	598	4.5
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	5,082	32.6	598	4.5
Total other income and gains	20,833	100.0	48,954	100.0	49,265	100.0	15,610	100.0	13,159	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 periods indicated, both in absolute amounts and as percentages of total selling and distribution expenses.

	Year Ended December 31,						Three Months Ended March 31,			
	2021		2022		2023		2023		2024	
		%		%		%		%		%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Staff compensation	4,010	31.2	8,093	40.9	16,854	29.3	2,948	31.8	4,219	49.8
Advertising and promotion	715	5.6	2,746	13.9	22,065	38.3	2,985	32.2	96	1.1
Travel and entertainment	2,012	15.7	2,393	12.1	7,376	12.8	1,387	15.0	999	11.8
Consulting	1,693	13.2	1,943	9.8	4,369	7.6	603	6.5	1,262	14.9
Share-based payment	3,464	27.0	2,757	13.9	3,334	5.8	834	9.0	855	10.1
Others[(1)]	954	7.3	1,847	9.4	3,620	6.2	516	5.5	1,033	12.3
Total	**12,848**	**100.0**	**19,779**	**100.0**	**57,618**	**100.0**	**9,273**	**100.0**	**8,464**	**100.0**

Note:

1. Others primarily include miscellaneous consumables, utilities and office 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 periods indicated, both in absolute amounts and as percentages of total administrative expenses.

	Year Ended December 31,						Three Months Ended March 31,			
	2021		2022		2023		2023		2024	
		%		%		%		%		%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Staff compensation	60,482	44.9	109,569	45.4	126,128	48.6	28,871	54.1	33,638	49.6
Depreciation and amortization	23,693	17.6	57,249	23.7	55,239	21.3	10,126	19.0	17,776	26.2
Share-based payment	7,795	5.8	16,497	6.8	25,346	9.8	5.909	11.1	8.260	12.2
Office related expenses	21,977	16.3	25,736	10.7	16,809	6.5	3,218	6.0	3,755	5.5
Recruiting	2,007	1.5	7,999	3.3	11,732	4.5	751	1.4	677	1.0
Legal and professional service	6,443	4.8	7,928	3.3	8,115	3.1	1,021	1.9	904	1.3
Travel	1,212	0.9	1,627	0.7	3,294	1.3	654	1.2	339	0.5
Others[(1)]	11,129	8.2	14,511	6.1	12,803	4.9	2,802	5.3	2,504	3.7
Total	**134,738**	**100.0**	**241,116**	**100.0**	**259,466**	**100.0**	**53,352**	**100.0**	**67,853**	**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 periods indicated, both in absolute amounts and as percentages of total research and development expenses.

	Year Ended December 31,						Three Months Ended March 31,			
	2021		2022		2023		2023		2024	
		%		%		%		%		%
							(unaudited)			
	(RMB in thousands, except for percentages)									
Staff compensation	95,349	43.1	145,900	44.3	189,260	44.6	41,414	43.4	58,275	45.1
Depreciation and amortization	79,764	36.1	82,454	25.0	102,008	24.1	26,981	28.3	32,106	24.9
Utilities	13,077	5.9	26,834	8.1	48,472	11.4	9,843	10.3	17,451	13.5
Materials and consumables	11,611	5.3	35,152	10.7	34,370	8.1	9,784	10.3	6,616	5.1
Experiment fees	9,710	4.4	11,324	3.4	22,828	5.4	2,635	2.8	6,249	4.8
Share-based payment	8,196	3.7	13,947	4.2	13,642	3.2	2,941	3.1	4,191	3.2
Others[1]	3,340	1.5	13,666	4.3	13,519	3.2	1,769	1.8	4,254	3.4
Total	**221,047**	**100.0**	**329,277**	**100.0**	**424,099**	**100.0**	**95,367**	**100.0**	**129,142**	**100.0**

Note:

1. Others primarily include expenses in relation to repair and maintenance expenses and technical consulting fees.

Impairment (Losses)/Gains on Financial Assets and Contract Assets, Net

Our impairment (losses)/gains on financial assets and contract assets, net primarily represent credit loss. Our impairment losses were RMB22.5 million, RMB600.1 million and RMB10.8 million in 2021, 2022 and 2023, respectively. The significant impairment loss on financial assets in 2022 was primarily due to purchase order cancellation by Customer X. See "—Significant factors affecting our financial condition and results of operations—Specific factors affecting our results of operations" for more details. Our impairment gains were RMB0.4 million and RMB5.5 million in the three months ended March 31, 2023 and 2024, respectively.

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 periods indicated.

	Year ended December 31,			Three months ended March 31,	
	2021	**2022**	**2023**	**2023**	**2024**
	(RMB in thousands)				
				(unaudited)	
Interest on interest-bearing bank and other borrowings	65,578	64,859	134,475	30,293	36,058
Interest on lease liabilities	6,170	13,292	11,089	2,889	2,428
Subtotal	71,748	78,151	145,564	33,182	38,486
Less: Interest capitalised	(1,531)	(45,259)	(72,113)	(19,744)	(7,029)
Total	**70,217**	**32,892**	**73,451**	**13,438**	**31,457**

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.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

Revenue

Our revenue increased significantly from RMB227.3 million in the three months ended March 31, 2023 to RMB737.0 million in the three months ended March 31, 2024, primarily due to an increase in our sales volume of power batteries from 216.5 MWh to 1,150.2 MWh. Specifically:

- Our revenue from the sales of NCM battery increased from RMB91.3 million in the three months ended March 31, 2023 to RMB442.9 million in the three months ended March 31, 2024, primarily due to an increase in sales volume from 87.6 MWh in the three months ended March 31, 2023 to 564.4 MWh in the three months ended March 31, 2024 as we began mass production and delivery of NCM battery products of new PHEV vehicle models for an OEM customer, partially offset by a decrease in average selling price, which is primarily due to changes in overall raw material prices in the industry.

- Our revenue from the sales of LFP batteries increased from RMB87.0 million in the three months ended March 31, 2023 to RMB198.7 million in the three months ended March 31, 2024, primarily due to an increase in sales volume from 128.9 MWh in the three months ended March 31, 2023 to 585.9 MWh in the three months ended March 31, 2024. The growth in revenue from LFP battery products was negatively impacted, in part, by a decrease in the 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 increased from RMB1.8 million in the three months ended March 31, 2023 to RMB40.4 million in the three months ended March 31, 2024, primarily due to an increase in sales volume of ESS products from 2.4 MWh in the three months ended March 31, 2023 to 115.9 MWh in the three months ended March 31, 2024, partially offset by a decrease in the average selling price of ESS products, which is primarily due to changes in overall raw material prices in the industry.

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 RMB171.7 million in the three months ended March 31, 2023 to RMB289.7 million in the three months ended March 31, 2024, primarily due to an increase in sale volume from 213.7 MWh in the three months ended March 31, 2023 to 716.1 MWh in the three months ended March 31, 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 from RMB4.8 million in the three months ended March 31, 2023 to RMB351.7 million in the three months ended March 31, 2024, primarily due to an increase in sales volume from 2.6 MWh in the three months ended March 31, 2023 to 434.2 MWh in the three months ended March 31, 2024 as we began mass production and delivery of more PHEV battery products; partially offset by a decrease in average selling price, which is primarily due to changes in overall raw material prices in the industry.

Cost of Sales

Our cost of sales increased significantly from RMB240.8 million in the three months ended March 31, 2023 to RMB668.7 million in the three months ended March 31, 2024, primarily due to the significant increase in sales volume of our various batteries products, which led to significant increases in raw material costs and labor costs. This is partially offset by (i) a decrease in raw material costs in the three months ended March 31, 2024; and (ii) the high manufacturing overhead costs incurred in the three months ended March 31, 2023 when our manufacturing line experienced temporary suspension. The suspension was due to the amount of time needed to develop new customers for the relevant manufacturing line which were originally assigned to manufacture for Customer X. See "—Significant factors affecting our financial condition and results of operations—Specific factors affecting our results of operations" for more details. Specifically:

- Our cost of sales of NCM battery increased from RMB83.5 million in the three months ended March 31, 2023 to RMB391.6 million in the three months ended March 31, 2024, primarily due to a significant increase in sales volume of NCM battery from 87.6 MWh to 564.4 MWh, as well as the impact on manufacturing overhead costs and impairment losses in relation to Customer X. See "—Significant factors affecting our financial condition and results of operations—Specific factors affecting our results of operations" for more details; partially offset by a decrease in the overall price of raw materials in the industry.

- Our cost of sales of LFP batteries increased from RMB84.0 million in the three months ended March 31, 2023 to RMB173.9 million in the three months ended March 31, 2024, primarily due to an increase in sales volume of LFP batteries.

- Our cost of sales of ESS products increased from RMB1.7 million in the three months ended March 31, 2023 to RMB38.0 million in the three months ended March 31, 2024, primarily due to an increase in sales volume of ESS products from 2.4 MWh to 115.9 MWh, partially offset by 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 RMB161.9 million in the three months ended March 31, 2023 to RMB255.6 million in the three months ended March 31, 2024, primarily due to a significant increase in sales volume, partially offset by a decrease in raw material costs.

- Our cost of sales of PHEV battery products increased from RMB4.5 million in the three months ended March 31, 2023 to RMB309.6 million in the three months ended March 31, 2024, primarily due to the initiation of mass production of PHEV battery products 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 RMB13.5 million and gross profit of RMB68.2 million in the three months ended March 31, 2023 and 2024, respectively. Our gross loss margin was 6.0% in the three months ended March 31, 2023, and our gross profit margin was 9.3% in the three months ended March 31, 2024. The gross loss position in the three months ended March 31, 2023 was primarily due to the high manufacturing overhead costs incurred in the three months ended March 31, 2023 when one of our manufacturing lines which were originally assigned to manufacture for Customer X experienced a temporary suspension due to the amount of time needed to develop new customers for relevant manufacturing line. See "—Significant factors affecting our financial condition and results of operations—Specific factors affecting our results of operations" for more details. In addition, favorable changes in our gross profit position were also due to an increase in our scale of manufacturing, which led to higher cost efficiency. See "Business—Manufacturing—Manufacturing Bases" for details on changes in utilization rates of our manufacturing facilities.

Other Income and Gains

Our other income and gains decreased by 16.0% from RMB15.6 million in the three months ended March 31, 2023 to RMB13.2 million in the three months ended March 31, 2024, primarily due to an RMB5.1 million decrease in gains on structured deposits and wealth management products; partially offset by an increase in interest income from our bank balances.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 8.6% from RMB9.3 million in the three months ended March 31, 2023 to RMB8.5 million in the three months ended March 31, 2024, primarily due to an RMB2.9 million decrease in advertising and promotion expenses, which is partially offset by an RMB1.3 million increase in staff compensation.

Administrative Expenses

Our administrative expenses increased by 27.2% from RMB53.4 million in the three months ended March 31, 2023 to RMB67.9 million in the three months ended March 31, 2024, primarily due to (i) an RMB4.8 million increase in staff compensation driven by the increased headcount of our administrative staff; (ii) an RMB7.7 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 (iii) taxes and surcharges driven by our expanded business scale.

Research and Development Expenses

Our research and development expenses increased by 35.4% from RMB95.4 million in the three months ended March 31, 2023 to RMB129.1 million in the three months ended March 31, 2024, primarily due to (i) an RMB16.9 million increase in staff compensation driven by the increase in R&D headcount; (ii) an RMB5.1 million increase in depreciation and amortization driven by an increase in our R&D facilities; and (iii) an RMB7.6 million increase in utilities expenses as we conducted more R&D activities.

Finance Costs

Our finance costs increased significantly from RMB13.4 million in the three months ended March 31, 2023 to RMB31.5 million in the three months ended March 31 2024, primarily due to (i) an increase in our interest-bearing bank borrowing; and (ii) a decrease in capitalized interest driven by the capitalization of phase II of our Changshu Zenergy facility.

Share of Profits/(Losses) of Joint Ventures

Our share of losses of joint ventures was RMB1.8 million in the three months ended March 31, 2023, primarily due to losses incurred by Jiangsu Aiev who ceased production in 2023. Our share of profits of joint ventures was RMB77.2 million in the three months ended March 31, 2024, primarily due to our acquisition of a 50% equity interest in STAES who had profit of RMB158.5 million in the three months ended March 31, 2024.

Loss for the Period

As a result of the foregoing, our loss for the period decreased from RMB167.5 million in the three months ended March 31, 2023 to RMB69.9 million in the three months ended March 31, 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 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 purchase order cancellation by Customer X. See "—Significant factors affecting our financial condition and results of operations—Specific factors affecting our results of operations" for more details.

- 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 as we develop our ESS business and acquired of a number of new ESS product customers.

- 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 purchase order cancellation by Customer X 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 purchase order cancellation by Customer X.

- 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 purchase order cancellation by Customer X. 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 purchase order cancellation by Customer X; 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 purchase order cancellation by Customer X.

- 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 purchase order cancellation by Customer X. See "—Significant factors affecting our financial condition and results of operations—Specific factors affecting our results of operations" for more details. In 2023, we moved into gross profit position because our impairment losses significantly declined as the impact of the order cancellation by Customer X 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.

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)/Gains 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 purchase order cancellation by Customer X. 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. 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.

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.

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 purchase order cancellation by Customer X which led to significant impairment losses on inventories.

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 purchase order cancellation by Customer X. 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 and Dongguan Zenergy. 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,			As of March 31,
	2021	2022	2023	2024
	(RMB in thousands)			
NON-CURRENT ASSETS				
Property, plant and equipment	1,413,220	4,707,407	5,618,993	5,583,245
Right-of-use assets	441,850	303,119	257,403	249,315
Goodwill	–	1,277	1,277	1,277
Other intangible assets	592,251	549,059	491,492	471,801
Investment in joint ventures	–	64,537	3,350,901	3,428,118
Prepayments, other receivables and other assets	398,664	154,282	55,364	59,404
Total non-current assets	**2,845,985**	**5,779,681**	**9,775,430**	**9,793,160**
Total current assets	**2,969,015**	**4,671,136**	**4,355,352**	**4,403,045**
Total current liabilities	**3,397,917**	**5,287,822**	**6,150,006**	**6,139,148**
NET CURRENT LIABILITIES	**(428,902)**	**(616,686)**	**(1,794,654)**	**(1,736,103)**
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,417,083**	**5,162,995**	**7,980,776**	**8,057,057**
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	–	2,310,258	2,841,494	2,964,050
Lease liabilities	311,882	207,537	175,769	176,128
Provision	33,934	87,823	145,979	158,907
Deferred tax liabilities	90,712	84,813	70,301	66,832
Total non-current liabilities	**436,528**	**2,690,431**	**3,233,543**	**3,365,917**
NET ASSETS	**1,980,555**	**2,472,564**	**4,747,233**	**4,691,140**

	As of December 31,			As of March 31,
	2021	2022	2023	2024
	(RMB in thousands)			
EQUITY				
Equity attributable to owners of the parent				
Paid-in capital	1,552,495	1,881,850	2,255,935	2,255,935
Reserves	428,060	590,714	2,491,298	2,435,205
Total Equity	**1,980,555**	**2,472,564**	**4,747,233**	**4,691,140**

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 March 31,	As of May 31,
	2021	2022	2023	2024	2024
					(unaudited)
	(RMB in thousands)				
CURRENT ASSETS					
Inventories	709,539	1,012,920	613,756	696,247	727,980
Trade and bills receivables	309,874	326,487	1,147,380	932,761	1,246,277
Contract assets	11,675	1,951	6,496	6,496	6,496
Prepayments, other receivables and other assets	150,169	195,699	81,136	87,895	115,988
Financial assets at fair value through profit or loss	–	1,162,565	–	–	–
Pledged deposits	1,020,347	1,035,350	472,305	496,840	513,404
Cash and cash equivalents	767,411	936,164	2,034,279	2,182,806	2,035,850
Total current assets	**2,969,015**	**4,671,136**	**4,355,352**	**4,403,045**	**4,645,995**
CURRENT LIABILITIES					
Trade and bills payables	1,813,289	3,012,332	3,415,854	3,106,210	3,274,356
Other payables and accruals	342,349	1,480,456	1,945,523	1,546,234	1,495,542
Contract liabilities	40,855	145,385	44,662	399,821	374,730
Interest-bearing bank and other borrowings	1,159,664	579,134	694,137	1,036,737	953,521
Lease liabilities	36,674	34,046	27,021	25,575	27,327
Tax payable	–	23,511	–	–	–
Provision	5,086	12,958	22,809	24,571	24,520
Total current liabilities	**3,397,917**	**5,287,822**	**6,150,006**	**6,139,148**	**6,149,996**
NET CURRENT LIABILITIES	**(428,902)**	**(616,686)**	**(1,794,654)**	**(1,736,103)**	**(1,504,001)**

Our net current liabilities decreased from RMB1,736.1 million as of March 31, 2024 to RMB1,504.0 million as of May 31, 2024, primarily due to (i) an RMB313.5 million increase in trade and bills receivables due to an increase in sales volume; (ii) an RMB83.2 million decrease in interest-bearing bank and other borrowings; (iii) an RMB31.7 million increase in inventories; and (iv) an RMB50.7 million decrease in other payables and accruals; partially offset by (i) an RMB168.1 million increase in trade and bills payables; and (ii) an RMB147.0 million decrease in cash and cash equivalent.

Our net current liabilities decreased from RMB1,794.7 million as of December 31, 2023 to RMB1,736.1 million as of March 31, 2024, primarily due to (i) an RMB399.3 million decrease in other payables and accruals; and (ii) an RMB309.6 million decrease in trade and bills payables, and partially offset by (i) an RMB355.2 million increase in contract liabilities; and (ii) an RMB342.6 million increase in interested-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 pledged deposits, (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 RMB5,583.2 million as of December 31, 2021, 2022 and 2023 and March 31, 2024, respectively. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated.

	As of December 31,			As of March 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Buildings	272,137	441,237	1,626,991	1,612,099
Machinery	641,955	1,527,550	2,471,099	2,483,191
Office equipment and electronic devices	18,632	24,574	25,227	23,471
Vehicles	6,362	14,134	13,726	12,047
Leasehold improvements	131,045	272,255	277,072	270,017
Construction in progress	343,089	2,427,657	1,204,878	1,182,420
Total	**1,413,220**	**4,707,407**	**5,618,993**	**5,583,245**

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 decreased by 0.6% from RMB5,619.0 million as of December 31, 2023 to RMB5,583.2 million as of March 31, 2024, primarily due to depreciation of completed manufacturing bases.

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 RMB249.3 million as of March 31, 2024 were primarily due to depreciation of right-of-use assets and expiration of leases.

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 RMB471.8 million as of March 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 and RMB47.4 million as of December 31, 2022 and 2023, 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 RMB3,428.1 million as of December 31, 2021, 2022, 2023 and March 31, 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 December 2023 and the three months ended March 31, 2024, STAES recorded revenue of RMB657.0 million and RMB1,242.3 million, respectively, and recorded profit for the period of RMB29.7 million and RMB158.5 million, respectively. See note 16 to the accountants' report included in Appendix I of the Document 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 RMB696.2 million as of March 31, 2024. The following table sets forth a breakdown of our inventories as of the dates indicated.

	As of December 31,			As of March 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Raw materials	179,768	232,176	168,100	182,597
Work in progress	73,989	68,722	93,864	113,706
Finished goods	502,804	1,270,612	542,511	507,946
	756,561	1,571,510	804,475	804,249
Less: Provision for inventories	(47,022)	(558,590)	(190,719)	(108,002)
Total	**709,539**	**1,012,920**	**613,756**	**696,247**

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 RMB182.6 million as of March 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 RMB113.7 million as of March 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 and RMB507.9 million as of December 31, 2023 and March 31, 2024, respectively, 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 provision for inventories was RMB47.0 million, RMB558.6 million, RMB190.7 million and RMB108.0 million as of December 31, 2021, 2022, 2023 and March 31, 2024. The significant provision for inventories as of December 31, 2022 was primarily due to sale of certain inventories originally manufactured for Customer X as down-grade products after purchase order termination by Customer X. The subsequent decrease in provision for inventories to RMB190.7 million as of December 31, 2023 and RMB108.0 million as of March 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, as well as inventories sold as down-grade products in 2023.

Our inventory turnover days was 130.1 days, 87.8 days, 75.1 days and 88.2 days in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. The decrease in inventory turnover days from 2021 to 2023 was primarily due to our enhanced inventory management in an effort to improve our warehousing efficiency. The subsequent increase in the three months ended March 31, 2024 was primarily due to an increase in inventories balance as of March 31, 2024 in preparation for order delivery in the coming months. Our inventory turnover days remained steady from 2022 to 2023 and the three months ended March 31, 2024. The following table sets forth our inventory turnover days for the periods indicated.

	For the year ended December 31,			For the three months ended March 31,
	2021	**2022**	**2023**	**2024**
Inventory turnover days[(1)]	130.1	87.8	75.1	88.2

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,			As of March 31,
	2021	**2022**	**2023**	**2024**
	(RMB in thousands)			
Within 3 months	320,178	593,050	397,740	374,500
3 to 6 months	258,595	269,581	111,857	142,190
6 months to 1 year	55,015	145,109	58,760	108,983
1 to 2 years	71,119	5,180	40,425	52,725
Over 2 years	4,632	–	4,974	17,849
Total	**709,539**	**1,012,920**	**613,756**	**696,247**

As of June 30, 2024, approximately RMB540.4 million, or 77.6%, of our inventories as of March 31, 2024 had been consumed.

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,			As of March 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Current				
Trade receivables	346,532	692,459	1,328,257	984,889
Contract assets	11,966	2,000	6,658	6,658
Commercial acceptance bills receivables	13,070	–	20,465	26,379
Bank acceptance bills receivables	28,818	238,899	415,489	532,125
Due from related parties	254	1,287	–	–
	400,640	934,645	1,770,869	1,550,051
Less: Impairment losses	(79,091)	(606,207)	(616,993)	(610,794)
Net carrying amount	**321,549**	**328,438**	**1,153,876**	**939,257**

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 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 subsequently decreased to RMB939.3 million as of March 31, 2024, primarily due to rapid settlement of receivables by our customers. In 2022, we recorded RMB601.4 million in impairment losses of trade receivables due from Customer X. 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 purchase order cancellation by Customer X 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,			As of March 31, 2024
	2021	2022	2023	
	(RMB in thousands)			
Within 3 months	297,181	315,117	890,722	721,550
3 to 6 months	24,239	13,321	259,402	213,176
6 months to 1 year	25	–	3,752	4,531
1 to 3 years	104	–	–	–
Total	**321,549**	**328,438**	**1,153,876**	**939,257**

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,			As of March 31, 2024
	2021	2022	2023	
	(RMB in thousands)			
At beginning of year/period	80,461	79,091	606,207	616,993
Impairment losses (reversed)/recognized	(1,370)	605,877	10,786	(6,199)
Decrease from the Reorganization	–	(78,761)	–	–
At end of year/period	**79,091**	**606,207**	**616,993**	**610,794**

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 Customer X. 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.

	For the year ended December 31,			For the three months ended March 31, 2024
	2021	2022	2023	
Trade and bills receivables and contract assets turnover days[1]	60.9	36.1	65.0	127.8

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 Customer X, 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 to the three months ended March 31, 2024 was primarily due to relatively low sales volume and sales revenue in the three months ended March 31, 2024 due to seasonality.

As of June 30, 2024, approximately RMB340.6 million, or 34.6% of our trade receivables as of March 31, 2024 had been settled.

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,			As of March 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Current:				
Prepayments to suppliers	24,552	16,071	8,556	6,968
Other receivables	54,304	135	202	431
Other tax recoverable	116,580	167,469	68,168	77,474
Prepaid expenses	3,426	6,022	3,415	2,505
Deposits	5,553	6,055	805	528
	204,415	195,752	81,146	87,906
Impairment allowance	(54,246)	(53)	(10)	(11)
Total	**150,169**	**195,699**	**81,136**	**87,895**

	As of December 31,			As of March 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Non-current:				
Other receivables	12,179	702	702	702
Deposits	8,499	46,118	46,186	46,201
Prepayments for long-term assets	378,316	108,109	9,186	13,899
	398,994	154,929	56,074	60,802
Impairment allowance	(330)	(647)	(710)	(1,398)
Total	**398,664**	**154,282**	**55,364**	**59,404**

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, primarily due to an RMB99.3 million decrease 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. Our current prepayments, other receivables and other assets remained relatively stable at RMB87.9 million as of March 31, 2024.

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 remained relatively stable at RMB59.4 million as of March 31, 2024.

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 and 2023 and March 31, 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 [**REDACTED**].

Pledged Deposits

Our pledged deposits 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 RMB496.8 million as of March 31, 2024, primarily due to a decrease in the amount of deposits demanded to be pledged by banks when we issue commercial 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 and further to RMB3,415.9 million as of December 31, 2023, primarily due to an increase in procurement of raw materials to expand our production volume to meet increasing customer demand. Our trade and bills payables subsequently decreased to RMB3,106.2 million as of March 31, 2024 primarily due to settlement of certain payables and a decrease in sales volume due to seasonality in the first quarter of 2024.

The following table sets forth our trade and bills payable turnover days during the years indicated.

	For the year ended December 31,			For the three months ended March 31,
	2021	2022	2023	2024
Trade and bills payables turnover days[1]	322.0	246.0	296.8	438.9

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 order cancellation by Customer X. 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 Customer X on impairment losses on inventories did not carry over in 2023. Our trade and bills payable turnover days subsequently increased to 438.9 days in the three months ended March 31, 2024, primarily due to low sales and cost of sales in the same period compared to quarterly average in 2023, driven by seasonality.

The following table sets forth an ageing analysis of our trade and bills payables as of the dates indicated.

	As of December 31,			As of March 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Within 1 year	1,808,665	3,011,888	3,415,144	3,105,512
1 to 2 years	2,781	444	710	698
2 to 3 years	1,843	–	–	–
Total	**1,813,289**	**3,012,332**	**3,415,854**	**3,106,210**

As of June 30, 2024, approximately RMB1,254.7 million, or 75.9%, of our trade payables as of March 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; and (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,			As of March 31, 2024
	2021	2022	2023	
	(RMB in thousands)			
Payables for purchase of property, plant and equipment	278,731	959,468	1,305,086	1,218,772
Payroll and welfare payable	28,527	38,546	49,448	43,127
Accrued expenses	24,185	40,317	67,521	60,689
Other tax payables	5,562	42,755	38,688	80,484
Other payables	5,344	30,713	33,541	37,138
Acquisition consideration payable	–	–	346,000	–
Due to related parties	–	368,657	105,239	106,024
Total	**342,349**	**1,480,456**	**1,945,523**	**1,546,234**

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 RMB1,546.2 million as of March 31, 2024, primarily due to (i) our payment of amount due to related parties in relation to our major reorganization in the three months ended March 31, 2024; and (ii) an RMB86.3 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.

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 increased to RMB399.8 million as of March 31, 2024.

As of June 30, 2024, approximately RMB147.0 million, or 41.6%, of our contract liabilities as of March 31, 2024 had been recognized as revenue.

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 further to RMB183.5 million as of March 31, 2024, primarily due to an increase in sales volume and revenue over the same periods.

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 RMB66.8 million as of December 31, 2021, 2022 and 2023 and March 31, 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 [**REDACTED**] from the [**REDACTED**].

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 Document.

Cash Flows

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

	Year Ended December 31,			Three Months Ended March 31,	
	2021	2022	2023	2023	2024
				(unaudited)	
			(RMB in thousands)		
Net cash flows (used in)/generated from operating activities	(165,420)	1,353,642	284,354	(611,212)	324,017
Net cash flows (used in)/generated from investing activities	(284,275)	(4,012,900)	302,733	541,973	(501,319)
Net cash flows generated from financing activities	938,316	2,823,634	511,028	283,130	325,583
Net increase in cash and cash equivalents	488,621	164,376	1,098,115	213,891	148,281
Effect of foreign exchange rate changes, net	(14,718)	4,377	–	–	246
Cash and cash equivalents at beginning of the year/period	293,508	767,411	936,164	936,164	2,034,279
Cash and cash equivalents at end of the year/period	767,411	936,164	2,034,279	1,150,055	2,182,806

Net Cash (Used in)/Generated from Operating Activities

Net cash generated from operating activities was RMB324.0 million in the three months ended March 31, 2024, primarily due to our loss before tax of RMB73.4 million, plus interest received of RMB10.5 million, as adjusted by (i) certain non-cash and non-operating items, primarily including depreciation of property, plant and equipment of RMB106.3 million and finance costs of RMB31.5 million; and (ii) changes in working capital that positively affected the cash flow from operating activities, primarily including an increase in contract liabilities of RMB355.2 million; and (iii) partially offset by changes in working capital that negatively affected the cash flow from operating activities, primarily including a decrease in trade and bills payables of RMB309.6 million.

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 RMB501.3 million in the three months ended March 31, 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 RMB155.2 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 RMB325.6 million in the three months ended March 31, 2024, primarily due to proceeds from interest-bearing bank and other borrowings of RMB952.0 million, partially offset by (i) repayment of interest-bearing bank and other borrowings of RMB489.1 million, and (ii) interest paid of RMB33.8 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, leases, and purchases of intangible assets, and amounted to RMB896.7 million, RMB2,707.5 million, RMB813.7 million and RMB155.6 million, respectively, in 2021, 2022, 2023 and the three months ended March 31, 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 [**REDACTED**] received from the [**REDACTED**].

The following table sets forth a summary of our capital expenditure as of the dates indicated.

	As of December 31,			As of March 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Purchases of properties, plants and equipment, and leases	896,123	2,687,978	791,751	155,224
Purchases of intangible assets	586	19,565	21,993	389
Total	**896,709**	**2,707,543**	**813,744**	**155,613**

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,			As of March 31,
	2021	2022	2023	2024
	(RMB in thousands)			
Properties, plant and equipment	1,661,603	1,163,135	514,662	386,704

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 and 2023, March 31, 2024 and May 31, 2024 (being the latest practicable date for the purpose of indebtedness statement).

	As of December 31,			As of March 31, 2024	As of May 31, 2024
	2021	2022	2023		
					(unaudited)
	(RMB in thousands)				
Current					
Interest-bearing bank and other borrowings	1,159,664	579,134	694,137	1,036,737	953,521
Lease liabilities	36,674	34,046	27,021	25,575	27,327
Non-current					
Interest-bearing bank and other borrowings	–	2,310,258	2,841,494	2,964,050	3,007,624
Lease liabilities	311,882	207,537	175,769	176,128	174,708
Total	**1,508,220**	**3,130,975**	**3,738,421**	**4,202,490**	**4,163,180**

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 1.65% 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, 2023 and March 31, 2024, our interest-bearing bank borrowings were secured by our right-of-use assets, property, plant and equipment and pledged deposits, and guaranteed by Zenergy Investment, SINOGY VC, and Jiangsu TAFEL. See note 27 to the accountants' report included in Appendix I of the Document for detailed breakdown for each period during the Track Record Period. Our interest-bearing bank and other borrowings as of May 31, 2024 typically have terms ranging from six months to seven years, with effective interest rates ranging from 2.35% to 3.75%, and certain of our interest-bearing bank borrowings were guaranteed by Zenergy Investment and/or SINOGY VC. Any guarantee previously provided by the Controlling Shareholders and/or their close associate(s) has been released on July 22, 2024.

Unutilized Banking Facilities

As of May 31, 2024, we had unutilized banking facilities of RMB3,198.9 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 May 31, 2024.

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 May 31, 2024.

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,			Three Months Ended/As of March 31,
	2021	2022	2023	2024
		(%)		
Gearing ratio(1)	27.2	47.0	26.4	30.1
Current ratio(2)	87.4	88.3	70.8	71.7
Quick ratio(3)	66.5	69.2	60.8	60.4

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/period.

(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/period.

Gearing Ratio

Our gearing ratio increased from 26.4% as of December 31, 2023 to 30.1% as of March 31, 2024, primarily due to an increase in interest-bearing bank and other borrowings in the three months ended March 31, 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 remained relatively stable at 70.8% and 71.7% as of December 31, 2023 and March 31, 2024, respectively.

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 remained relatively stable at 60.8% and 60.4% as of December 31, 2023 and March 31, 2024, respectively.

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 Document 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. 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 March 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 36 to the accountants' report included in Appendix I of the Document. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and at arm's length basis.

[REDACTED]

The total [**REDACTED**] payable by our Company are estimated to be approximately HK$[**REDACTED**], representing [**REDACTED**]% of the total gross [**REDACTED**] from the [**REDACTED**], assuming the [**REDACTED**] is not exercised and based on an [**REDACTED**] of HK$[**REDACTED**] (being the mid-point of our [**REDACTED**]). These [**REDACTED**] mainly comprise legal and other professional fees paid and payable to the professional parties, [**REDACTED**] payable to the [**REDACTED**], and printing and other expenses for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**]. Approximately HK$[**REDACTED**] of the total [**REDACTED**] is expected to be charged to our consolidated statements of profit or loss, and approximately HK$[**REDACTED**] is expected to be deducted from equity (relating to [**REDACTED**] directly attributable to the issue of shares).

The following table sets forth a breakdown of the [**REDACTED**] for the [**REDACTED**] based on the mid-point [**REDACTED**] of HK$[**REDACTED**] (assuming the [**REDACTED**] is not exercised).

[REDACTED]	**Based on an [REDACTED] of HK$[REDACTED]**
	(HK$ in thousands)
Non-[REDACTED] related expenses	
Legal and audit expenses	**[REDACTED]**
Other expenses	**[REDACTED]**
[REDACTED] related expenses	**[REDACTED]**
Total	**[REDACTED]**

We had not charged any [**REDACTED**] to our consolidated statements of profit or loss during the Track Record Period.

[REDACTED]

[**REDACTED**]

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since March 31, 2024, and there has been no event since March 31, 2024 that would materially affect the information as set out in the accountants' report included in Appendix I of the Document.

FUTURE PLANS AND PROSPECTS

See "Business—Our Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**]), after deducting the [**REDACTED**] fees and [**REDACTED**] (assuming the full payment of the [**REDACTED**]) and estimated expenses payable by the Company.

We intend to use the net [**REDACTED**] we will receive from the [**REDACTED**] for the following purposes:

1. approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), 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 (as measured by installation capacity) increased from 120.1 GWh in 2019 to 716.0 GWh in 2023, representing a CAGR of 56.2%, and is expected to further grow to 3,513.1 GWh in 2028, representing a CAGR of 37.5%; China's EV battery market (as measured by installation capacity) increased from 62.5 GWh in 2019 to 389.0 GWh in 2023, representing a CAGR of 57.9%, and is expected to further grow to 1,943.3 GWh in 2028, representing a CAGR of 37.9%. 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, according to Frost & Sullivan. 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.

Our use of [**REDACTED**] from the [**REDACTED**] on manufacturing capacity expansion is planned as follows:

(i) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), 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 [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), will be used for the construction of factories, manufacturing lines and supportive warehouses;

(b) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), will be used for the purchase and installation of production equipment, storage equipment, control systems and equipment; and

(c) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), will be used for preliminary production preparation, trial production and other expenses.

The construction of **Phase I Facility** is expected to commence in October 2024, and trial production is expected to commence in 2025.

(ii) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), 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 [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), will be used for the construction of factories, manufacturing lines and supportive warehouses;

(b) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), will be used for the purchase and installation of production equipment, storage equipment, control systems and equipment; and

(c) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), 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.

The following table sets forth our proposed timeline and allocation of net [**REDACTED**] for the expansion of the New Changshu Facility.

Facility	**Total investment amount**	**Investment made as of March 31, 2024**	**Net [REDACTED] to be used in**		
			(RMB in thousands)		
			2024	**2025**	**2026**
Phase I Facility	[REDACTED]	–	[REDACTED]	[REDACTED]	[REDACTED]
Phase II Facility	[REDACTED]	–	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	**–**	[REDACTED]	[REDACTED]	[REDACTED]

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 [**REDACTED**].

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

2. approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), will be used for various R&D activities.

   (i) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), will be used to explore various new battery electrochemistries and advanced materials;

      (a) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), 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 [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), will be used to develop the ultra-high nickel multi-element materials and new silicon carbon materials; and

      (c) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), will be used to develop compounded NCM and hybrid phosphate systems.

   (ii) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), will be used to optimize the next-generation intelligent manufacturing capabilities to improve manufacturing efficiency and product quality, such as root cause analysis system, "No touch" vision system, quality system for winding and coating, and multi-layer coating technology;

   (iii) approximately [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), 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 [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), 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 [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), 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 [**REDACTED**]% of the net [**REDACTED**], or HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), will be used for providing funding for working capital and other general corporate purposes.

If the [**REDACTED**] is not exercised, the net [**REDACTED**] that we will receive will be approximately HK$[**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**]). If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, being the high end of the indicative [**REDACTED**], the net [**REDACTED**] from the [**REDACTED**] will increase to approximately HK$[**REDACTED**]. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, being the low end of the indicative [**REDACTED**], the net [**REDACTED**] from the [**REDACTED**] will decrease to approximately HK$[**REDACTED**]. The above allocation of the net [**REDACTED**] from the [**REDACTED**] will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the indicative [**REDACTED**] stated in this document.

If the [**REDACTED**] is exercised in full, the net [**REDACTED**] that we will receive will be approximately HK$[**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**]). If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, being the high end of the indicative [**REDACTED**], the net [**REDACTED**] from the [**REDACTED**] will increase to approximately HK$[**REDACTED**]. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, being the low end of the indicative [**REDACTED**], the net [**REDACTED**] from the [**REDACTED**] will decrease to approximately HK$[**REDACTED**]. In the event that the [**REDACTED**] is exercised in full, we intend to apply the additional net [**REDACTED**] to the above purpose in the proportions stated above.

To the extent that our net [**REDACTED**] 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 [**REDACTED**] from the [**REDACTED**] 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 [**REDACTED**].

[**REDACTED**]

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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-[●] to I-[●],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 and 2023 and the three months ended 31 March 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 and 2023 and 31 March 2024 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial [**REDACTED**] 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 and 2023 and 31 March 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.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the three months ended 31 March 2023 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information 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. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, 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.

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-[●] 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
[date]

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

		Year ended 31 December			Three months ended 31 March	
	Notes	**2021**	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
REVENUE	*5*	1,499,296	3,290,253	4,161,670	227,282	736,964
Cost of sales						
Cost of sales of goods	*6*	(1,393,991)	(3,001,272)	(3,670,744)	(215,185)	(658,515)
Impairment losses on inventories	*6*	(75,127)	(579,261)	(282,437)	(25,640)	(10,221)
Gross profit		30,178	(290,280)	208,489	(13,543)	68,228
Other income and gains	*5*	20,833	48,954	49,265	15,610	13,159
Selling and marketing expenses		(12,848)	(19,779)	(57,618)	(9,273)	(8,464)
Administrative expenses		(134,738)	(241,116)	(259,466)	(53,352)	(67,853)
Research and development expenses	*6*	(221,047)	(329,277)	(424,099)	(95,367)	(129,142)
Impairment (losses)/gains on financial assets and contract assets, net	*6*	(22,457)	(600,057)	(10,837)	358	5,475
Other expenses		(1,400)	(267,524)	(11,568)	(343)	(531)
Finance costs	*7*	(70,217)	(32,892)	(73,451)	(13,438)	(31,457)
Share of profits/(losses) of joint ventures	*16*	–	923	(25,094)	(1,810)	77,217
LOSS BEFORE TAX	*6*	(411,696)	(1,731,048)	(604,379)	(171,158)	(73,368)
Income tax credit	*10*	9,421	11,067	14,512	3,628	3,469
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		(402,275)	(1,719,981)	(589,867)	(167,530)	(69,899)
Loss attributable to:						
Owners of the parent		(402,275)	(1,719,981)	(589,867)	(167,530)	(69,899)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted (RMB)	*12*	(0.26)	(1.01)	(0.31)	(0.09)	(0.03)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 March
	Notes	**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	5,583,245
Right-of-use assets	*14*	441,850	303,119	257,403	249,315
Goodwill		–	1,277	1,277	1,277
Other intangible assets	*15*	592,251	549,059	491,492	471,801
Investments in joint ventures	*16*	–	64,537	3,350,901	3,428,118
Prepayments, other receivables and other assets	*21*	398,664	154,282	55,364	59,404
Total non-current assets		2,845,985	5,779,681	9,775,430	9,793,160
CURRENT ASSETS					
Inventories	*19*	709,539	1,012,920	613,756	696,247
Trade and bills receivables	*20*	309,874	326,487	1,147,380	932,761
Contract assets	*20*	11,675	1,951	6,496	6,496
Prepayments, other receivables and other assets	*21*	150,169	195,699	81,136	87,895
Financial assets at fair value through profit or loss	*22*	–	1,162,565	–	–
Pledged deposits	*23*	1,020,347	1,035,350	472,305	496,840
Cash and cash equivalents	*23*	767,411	936,164	2,034,279	2,182,806
Total current assets		2,969,015	4,671,136	4,355,352	4,403,045
CURRENT LIABILITIES					
Trade and bills payables	*24*	1,813,289	3,012,332	3,415,854	3,106,210
Other payables and accruals	*25*	342,349	1,480,456	1,945,523	1,546,234
Contract liabilities	*26*	40,855	145,385	44,662	399,821
Interest-bearing bank and other borrowings	*27*	1,159,664	579,134	694,137	1,036,737
Lease liabilities	*14*	36,674	34,046	27,021	25,575
Tax payable		–	23,511	–	–
Provision	*28*	5,086	12,958	22,809	24,571
Total current liabilities		3,397,917	5,287,822	6,150,006	6,139,148
NET CURRENT LIABILITIES		(428,902)	(616,686)	(1,794,654)	(1,736,103)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,417,083	5,162,995	7,980,776	8,057,057
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	*27*	–	2,310,258	2,841,494	2,964,050
Lease liabilities	*14*	311,882	207,537	175,769	176,128
Provision	*28*	33,934	87,823	145,979	158,907
Deferred tax liabilities	*18*	90,712	84,813	70,301	66,832
Total non-current liabilities		436,528	2,690,431	3,233,543	3,365,917
Net assets		1,980,555	2,472,564	4,747,233	4,691,140
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	*29*	1,552,495	1,881,850	2,255,935	2,255,935
Reserves	*31*	428,060	590,714	2,491,298	2,435,205
Total equity		1,980,555	2,472,564	4,747,233	4,691,140

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent						
	Paid-in capital	Capital 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 29	*Note 31*	*Note 31*	*Note 31*	*Note 31*		
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						
	Paid-in capital	Capital 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 29	*Note 31*	*Note 31*	*Note 31*	*Note 31*		
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	–	–	–	–	2,424,246
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							
	Paid-in capital	**Capital 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 29	*Note 31*	*Note 31*	*Note 31*	*Note 31*	*Note 31*		
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

Three months ended 31 March 2023

	Attributable to owners of the parent							
	Paid-in capital	**Capital 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 29	*Note 31*	*Note 31*	*Note 31*	*Note 31*	*Note 31*		
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 period (unaudited)	–	–	–	–	–	–	(167,530)	(167,530)
Share-based payments (unaudited)	–	–	–	10,086	–	–	–	10,086
Safety fund appropriation to special reserve (unaudited)	–	–	–	–	–	682	(682)	–
As at 31 March 2023 (unaudited)	1,881,850	2,874,656	11,392	130,317	1,713,687	682	(4,297,464)	2,315,120

Three months ended 31 March 2024

	Attributable to owners of the parent							
	Paid-in capital	Capital 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 29	*Note 31*	*Note 31*	*Note 31*	*Note 31*	*Note 31*		
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
Loss and total comprehensive loss for the period	–	–	–	–	–	–	(69,899)	(69,899)
Share-based payments	–	–	–	13,806	–	–	–	13,806
Safety fund appropriation to special reserve	–	–	–	–	–	791	(791)	–
As at 31 March 2024	2,255,935	5,321,173	11,392	177,971	1,713,687	3,114	(4,792,132)	4,691,140

* These reserve accounts represent the total consolidated reserves of RMB428,060,000, RMB590,714,000, RMB2,491,298,000 and RMB2,435,205,000 in the consolidated statements of financial position as at 31 December 2021, 2022 and 2023 and 31 March 2024, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Three months ended 31 March	
		2021	2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Loss before tax		(411,696)	(1,731,048)	(604,379)	(171,158)	(73,368)
Adjustments for:						
Depreciation of property, plant and equipment	*13*	91,170	173,882	293,908	73,992	106,338
Depreciation of right-of-use assets	*14*	21,864	43,704	40,449	10,545	8,088
Amortisation of other intangible assets	*15*	72,640	76,415	79,496	19,332	20,080
Share-based payment expenses	*30*	22,611	35,038	43,934	10,086	13,806
Share of (profits)/losses of joint ventures	*16*	–	(923)	25,094	1,810	(77,217)
Impairment losses/(gains) on financial assets and contract assets, net		22,457	600,057	10,837	(358)	(5,475)
Impairment losses on property, plant and equipment	*13*	–	244,640	6,982	–	–
Impairment losses on inventories	*19*	75,127	579,261	282,437	25,640	10,221
Finance costs	*7*	70,217	32,892	73,451	13,438	31,457
Interest income	*5*	(8,155)	(17,896)	(33,230)	(6,227)	(10,456)
Investment income on structured deposits and wealth management products	*5*	(1,775)	(9,501)	(6,596)	(5,082)	–
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)	13	342
Losses/(gains) on remeasurement of lease payments	*6*	–	5,490	(35)	–	–
		(45,641)	17,383	211,025	(27,969)	23,816
(Increase)/decrease in inventories		(446,515)	(941,517)	116,727	29,990	(92,712)
(Increase)/decrease in pledged deposits		(663,180)	(584,883)	524,345	307,357	75,465
(Increase)/decrease in trade and bills receivables and contract assets		(141,596)	(1,372,573)	(836,224)	(77,701)	220,818
Decrease/(increase) in prepayments, other receivables and other assets		74,707	(327,532)	114,507	(54,678)	(6,810)
Increase/(decrease) in other payables and accruals		57,653	1,869,175	(226,551)	(136,231)	32,779
Increase/(decrease) in trade and bills payables		1,034,289	2,491,418	403,522	(567,936)	(309,644)

		Year ended 31 December			Three months ended 31 March	
	Notes	**2021**	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
(Decrease)/increase in contract liabilities		(64,911)	128,477	(100,723)	(44,905)	355,159
Increase/(decrease) in provision		21,619	60,682	68,007	(44,987)	14,690
Cash (used in)/generated from operations		(173,575)	1,340,630	274,635	(617,060)	313,561
Interest received		8,155	17,896	33,230	6,227	10,456
Income tax paid		–	(4,884)	(23,511)	(379)	–
Net cash flows (used in)/from operating activities		(165,420)	1,353,642	284,354	(611,212)	324,017
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from disposal of items of property, plant and equipment		326	12,507	7,417	1,741	294
Purchases of items of property, plant, equipment and right-of use assets		(896,123)	(2,687,978)	(791,751)	(280,021)	(155,224)
Purchases of other intangible assets		(586)	(19,565)	(21,993)	(399)	(389)
Receipt of government grants for property, plant and equipment and right-of-use assets		–	68,344	89,899	–	–
Redemption/(subscription) of financial assets at fair value through profit or loss		612,108	(1,146,669)	1,169,161	820,652	–
Acquisition of a subsidiary	*32*	–	(239,539)	–	–	–
Investment in a joint venture	*16*	–	–	(150,000)	–	(346,000)
Net cash flows (used in)/from investing activities		(284,275)	(4,012,900)	302,733	541,973	(501,319)
CASH FLOWS FROM FINANCING ACTIVITIES						
Business combination under common control		–	(1,970,073)	–	–	–
(Increase)/decrease in pledged deposits		–	(38,700)	38,700	–	(100,000)
Capital contribution from shareholders		1,289,815	2,414,856	5,144	–	–
Lease payments		(40,854)	(56,017)	(44,580)	(5,964)	(3,515)
New interest-bearing bank and other borrowings		69,000	2,886,426	1,221,339	321,546	951,959
Repayment of interest-bearing bank and other borrowings		(368,000)	(303,022)	(576,168)	–	(489,103)
Interest paid		(11,645)	(109,836)	(133,407)	(32,452)	(33,758)
Net cash flows from financing activities		938,316	2,823,634	511,028	283,130	325,583
NET INCREASE IN CASH AND CASH EQUIVALENTS		488,621	164,376	1,098,115	213,891	148,281

		Year ended 31 December			Three months ended 31 March	
	Notes	**2021**	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Cash and cash equivalents at beginning of year/period		293,508	767,411	936,164	936,164	2,034,279
Effect of foreign exchange rate changes, net		(14,718)	4,377	–	–	246
Cash and cash equivalents at end of year/period		767,411	936,164	2,034,279	1,150,055	2,182,806
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	*23*	1,787,758	1,971,514	2,506,584	1,878,048	2,679,646
Less: Pledged deposits	*23*	1,020,347	1,035,350	472,305	727,993	496,840
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	1,150,055	2,182,806

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December			As at 31 March
		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	5,390,746
Right-of-use assets	*14*	294,731	247,027	224,241	218,545
Other intangible assets	*15*	400	537,388	480,859	461,753
Investments in subsidiaries	*17*	–	920,853	865,380	867,512
Investment in a joint venture	*16*	–	–	3,326,310	3,405,561
Prepayments, other receivables and other assets	*21*	344,846	149,166	50,836	55,485
Total non-current assets		1,503,085	6,205,686	10,364,421	10,399,602
CURRENT ASSETS					
Inventories	*19*	356,999	670,468	564,314	654,802
Trade and bills receivables	*20*	433,343	217,752	1,142,014	927,614
Contract assets	*20*	–	1,951	6,496	6,496
Prepayments, other receivables and other assets	*21*	157,434	151,230	42,420	159,844
Financial assets at fair value through profit or loss	*22*	–	970,012	–	–
Pledged deposits	*23*	450,767	763,419	457,906	482,896
Cash and cash equivalents	*23*	694,862	861,892	1,826,928	1,762,287
Total current assets		2,093,405	3,636,724	4,040,078	3,993,939
CURRENT LIABILITIES					
Trade and bills payables	*24*	914,041	2,475,820	3,359,144	2,930,815
Other payables and accruals	*25*	242,141	1,401,239	2,197,729	1,809,027
Contract liabilities	*26*	6,168	223,420	44,644	399,814
Interest-bearing bank and other borrowings	*27*	–	579,134	694,137	1,036,737
Lease liabilities	*14*	14,821	16,302	17,874	17,946
Provision	*28*	72	12,958	22,809	24,571
Total current liabilities		1,177,243	4,708,873	6,336,337	6,218,910
NET CURRENT ASSETS/(LIABILITIES)		916,162	(1,072,149)	(2,296,259)	(2,224,971)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,419,247	5,133,537	8,068,162	8,174,631
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings and other borrowings	*27*	–	2,310,258	2,841,494	2,964,050
Lease liabilities	*14*	183,697	167,395	149,521	151,492
Provision	*28*	507	87,216	145,372	158,300
Deferred tax liabilities	*18*	2,461	1,433	627	–
Total non-current liabilities		186,665	2,566,302	3,137,014	3,273,842
Net assets		2,232,582	2,567,235	4,931,148	4,900,789
EQUITY					
Paid-in capital	*29*	1,552,495	1,881,850	2,255,935	2,255,935
Reserves		680,087	685,385	2,675,213	2,644,854
Total equity		2,232,582	2,567,235	4,931,148	4,900,789

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 March 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		PRC/Chinese Mainland/ 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 .		PRC/Chinese Mainland/ 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 .		PRC/Chinese Mainland/ 27 December 2021	RMB100,000	100	–	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.

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 Company" in the section headed "History, Reorganisation and Corporate Structure" in the Document, 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.

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 and the three months ended 31 March 2023 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 and 2023 and 31 March 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 and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared on a going concern basis. As at 31 March 2024, the Group had net current liabilities of RMB1,736,103,000. 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 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]

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 periods beginning on or after 1 January 2027

4 No mandatory effective date yet determined but available for adoption

The Group has already commenced an assessment of the impact of these new and revised IFRS, which are relevant to the Group's operations. According to the preliminary assessment made by the directors, no significant impact on the financial performance and financial position of the Group is expected when other revised IFRSs become effective.

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.

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 its structured deposits and wealth management product 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;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) 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
- (viii) 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.

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	1.5 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 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 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, 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 30 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 and note 15 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 are contained 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 Chinese Mainland. 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 Chinese Mainland 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 and the three months ended 31 March 2023 is set out below:

	Year ended 31 December			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
A subsidiary and a branch of Guangzhou Automobile Group Co., Ltd.	*	*	959,022	*	346,572
Zhejiang Leapmotor Technology Co., Ltd. and its subsidiaries	*	488,072	1,179,146	83,761	94,522
SAIC GM Wuling Automobile Company Limited	*	*	647,589	*	84,642
FAW Group Co., Ltd. and its subsidiaries	203,816	943,440	*	*	82,832
Customer A	828,335	962,452	*	*	*
Dongfeng Liuzhou Motor Co., Ltd.	168,530	*	*	*	*
Dongfeng Peugeot Citroën Automobile Co., Ltd.	*	*	*	33,914	*
TWS Technology (Guangzhou) Ltd. and its subsidiaries	*	*	*	40,257	*

* Less than 10% of the Group's revenue

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue from contracts with customers	1,499,296	3,290,253	4,161,670	227,282	736,964

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Types of goods					
Power Battery	1,448,045	3,116,066	3,356,865	178,321	641,669
Nickel-cobalt-manganese ternary materials	1,448,045	2,628,589	1,447,995	91,322	442,924
Lithium iron phosphate	–	487,477	1,908,870	86,999	198,745
Energy Storage System	–	2,768	315,306	1,828	40,439
Others*	51,251	171,419	489,499	47,133	54,856
Total revenue from contracts with customers	1,499,296	3,290,253	4,161,670	227,282	736,964

* Primarily include sales of down-grade products and waste materials sales.

Geographical markets

Since almost all of the revenue of the Group was derived from operations in Chinese Mainland during the Relevant Periods, revenue from the overseas markets of the Group is assessed as not material.

	Year ended 31 December			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Timing of revenue recognition					
Transferred at a point in time	1,499,296	3,290,253	4,161,670	227,282	736,964

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			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	105,766	40,855	145,385	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.

An analysis of other income and gains is as follows:

	Year ended 31 December			Three months ended 31 March	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Other income					
Government grants	6,088	5,067	889	69	524
Interest income	8,155	17,896	33,230	6,227	10,456
Others	4,712	1,804	7,192	4,232	1,581
Total other income	18,955	24,767	41,311	10,528	12,561
Gains					
Investment income on structured deposits and wealth management products	1,775	9,501	6,596	5,082	–
Fair value gains on financial assets at fair value through profit or loss	–	6,395	–	–	–
Foreign exchange gains, net	2	58	–	–	598
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	5,082	598
Total other income and gains	20,833	48,954	49,265	15,610	13,159

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December			Three months ended 31 March	
		2021	2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cost of sales of goods		1,393,991	3,001,272	3,670,744	215,185	658,515
Depreciation of property, plant and equipment	*13*	91,170	173,882	293,908	73,992	106,338
Depreciation of right-of-use assets	*14*	21,864	43,704	40,449	10,545	8,088
Amortisation of other intangible assets	*15*	72,640	76,415	79,496	19,332	20,080
Research and development expenses		221,047	329,277	424,099	95,367	129,142
Lease payments not included in the measurement of lease liabilities	*14*	7,448	25,534	12,611	2,630	1,461
Employee benefit expense (including directors' and supervisors' remuneration *(note 8)*):						
Wages and salaries		180,007	280,023	440,335	78,159	108,325
Pension scheme contributions and social welfare		56,378	89,019	139,851	24,135	34,166
Share-based payment expenses		22,611	35,038	43,934	10,086	13,806
Total		258,996	404,080	624,120	112,380	156,297
Impairment losses on property, plant and equipment*	*13*	–	244,640	6,982	–	–
Impairment losses/(gains) on financial assets and contract assets, net		22,457	600,057	10,837	(358)	(5,475)
Impairment losses on inventories	*19*	75,127	579,261	282,437	25,640	10,221
Losses/(gains) on remeasurement of lease payment	*14*	–	5,490	(35)	–	–
Foreign exchange (gains)/losses, net		(2)	(58)	1,672	21	(598)
Provision	*28*	(25,082)	(67,327)	(74,201)	(4,578)	(16,834)
(Gains)/losses on disposal of items of property, plant and equipment and other intangible assets		(101)	(8,233)	(1,323)	13	342
Investment income on structured deposits and wealth management products	*5*	(1,775)	(9,501)	(6,596)	(5,082)	–
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)	(6,227)	(10,456)

* 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			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest on interest-bearing bank and other borrowings	65,578	64,859	134,475	30,293	36,058
Interest on lease liabilities	6,170	13,292	11,089	2,889	2,428
Subtotal	71,748	78,151	145,564	33,182	38,486
Less: Interest capitalised	(1,531)	(45,259)	(72,113)	(19,744)	(7,029)
Total	70,217	32,892	73,451	13,438	31,457

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			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	6,447	5,897	6,064	1,503	1,523
Performance related bonuses	–	–	–	–	–
Share-based payment expenses	296	1,349	1,842	384	592
Pension scheme contributions	302	372	394	92	121
Subtotal	7,045	7,618	8,300	1,979	2,236
Total fees and other emoluments	7,045	7,618	8,300	1,979	2,236

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 30 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) 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.

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.

	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 *(unaudited)*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
31 March 2023					
Directors:					
Ms. Cao Fang	375	–	–	–	375
Dr. Chen Jicheng	375	–	–	22	397
Mr. Wu Shinong	–	–	–	–	–
Mr. Zhang Li	–	–	–	–	–
Mr. Yu Hongjiang	261	–	161	22	444
Subtotal	1,011	–	161	44	1,216
Supervisors:					
Ms. Zhao Yanlei	–	–	–	–	–
Mr. Liu Gang	150	–	80	21	251
Mr. Jiang Kecheng	261	–	141	20	422
Mr. Zou Jian	81	–	2	7	90
Subtotal	492	–	223	48	763
Total	1,503	–	384	92	1,979

	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*
31 March 2024					
Directors:					
Ms. Cao Fang	375	–	–	–	375
Dr. Chen Jicheng	375	–	–	51	426
Mr. Wu Shinong	–	–	–	–	–
Mr. Zhang Li	–	–	–	–	–
Mr. Yu Hongjiang	263	–	328	22	613
Subtotal	1,013	–	328	73	1,414
Supervisors:					
Mr. Liu Gang	148	–	81	21	250
Mr. Jiang Kecheng	263	–	170	20	453
Mr. Zou Jian	99	–	13	7	119
Subtotal	510	–	264	48	822
Total	1,523	–	592	121	2,236

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 and, during the three months ended 31 March 2024 included one director, respectively, 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			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Salaries, allowances and benefits in kind	2,119	2,409	4,446	1,089	1,549
Performance related bonuses	–	–	4,597	–	–
Share-based payment expenses	2,804	5,129	8,007	2,013	2,584
Pension scheme contributions	200	176	273	71	74
Total	5,123	7,714	17,323	3,173	4,207

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			Three months ended 31 March	
	2021	2022	2023	2023	2024
				(*unaudited*)	
Nil to HK$1,000,000	–	–	–	4	1
HK$1,000,001 to HK$1,500,000	1	–	–	1	3
HK$1,500,001 to HK$2,000,000	–	1	–	–	–
HK$2,000,001 to HK$2,500,000	2	1	2	–	–
HK$2,500,001 to HK$3,000,000	–	–	–	–	–
HK$3,000,001 to HK$3,500,000	–	–	1	–	–
HK$3,500,001 to HK$4,000,001	–	1	–	–	–
HK$4,500,001 to HK$5,000,001	–	–	1	–	–
HK$5,500,001 to HK$6,000,000	–	–	1	–	–
Total	3	3	5	5	4

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.

Chinese Mainland

The subsidiaries incorporated in Chinese Mainland 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 31 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			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current income tax	–	28,395	–	–	–
Deferred tax credit *(note 18)*	(9,421)	(39,462)	(14,512)	(3,628)	(3,469)
Total tax credit for the year/period	(9,421)	(11,067)	(14,512)	(3,628)	(3,469)

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Loss before tax	(411,696)	(1,731,048)	(604,379)	(171,158)	(73,368)
Tax at the statutory tax rate	(102,924)	(432,762)	(151,095)	(42,790)	(18,342)
Effect of preferential tax rates	38,363	98,196	41,382	16,111	4,515
Profit and losses attributable to joint ventures	–	(231)	7,759	453	(11,379)
Expenses not deductible for tax	4,091	5,907	7,817	1,944	2,298
Super deduction on research and development expenses *(a)*	(25,793)	(42,142)	(49,894)	(11,676)	(17,111)
Deductible temporary differences not recognised	9,493	307,681	18,522	–	180
Recognition of previously unrecognised tax losses and temporary differences	(5,170)	(4,757)	(104,501)	(9,484)	(14,001)
Tax losses not recognised	72,519	57,041	215,498	41,814	50,371
Tax credit at the Group's effective tax rate	(9,421)	(11,067)	(14,512)	(3,628)	(3,469)

(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 PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic

The basic loss 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 weighted average number of ordinary shares in issue 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			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Loss attributable to owners of the parent	(402,275)	(1,719,981)	(589,867)	(167,530)	(69,899)
Weighted average number of ordinary shares in issue	1,552,495,000	1,701,983,497	1,912,639,133	1,881,850,141	2,255,935,152
Basic loss per share (expressed in RMB per share)	(0.26)	(1.01)	(0.31)	(0.09)	(0.03)

Diluted

As the Group incurred losses, no adjustment has been made to the basic loss per share amounts presented for the Relevant Periods as the impact of the potential ordinary shares had an anti-dilutive effect on the basic loss per share amounts presented.

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

	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 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
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 32)*	–	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 March 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	–	1,605	82	50	–	69,489	71,226
Transfer	4,749	80,652	811	295	5,440	(91,947)	–
Disposals	–	(273)	(65)	(298)	–	–	(636)
Depreciation provided during the period	(19,641)	(69,892)	(2,584)	(1,726)	(12,495)	–	(106,338)
At 31 March 2024, net of accumulated depreciation and impairment	1,612,099	2,483,191	23,471	12,047	270,017	1,182,420	5,583,245
At 31 March 2024:							
Cost	1,691,418	3,109,822	60,867	26,781	447,255	1,182,420	6,518,563
Accumulated depreciation and impairment	(79,319)	(626,631)	(37,396)	(14,734)	(177,238)	–	(935,318)
Net carrying amount	1,612,099	2,483,191	23,471	12,047	270,017	1,182,420	5,583,245

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 2022 and 2023, 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 RMB244,640,000 and RMB6,982,000 has been recognised in profit or loss within the relevant functions to which these assets relate as at 31 December 2022 and 2023, 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 27).

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
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 March 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
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	–	1,589	79	37	–	66,478	68,183
Transfer	4,749	80,650	780	47	5,440	(91,666)	–
Disposals	–	(273)	(30)	–	–	–	(303)
Depreciation provided during the period	(19,641)	(60,390)	(2,026)	(1,572)	(10,300)	–	(93,929)
At 31 March 2024, net of accumulated depreciation	1,612,099	2,317,907	20,378	11,838	252,644	1,175,880	5,390,746
At 31 March 2024:							
Cost	1,691,418	2,559,873	31,529	20,636	296,558	1,175,880	5,775,894
Accumulated depreciation	(79,319)	(241,966)	(11,151)	(8,798)	(43,914)	–	(385,148)
Net carrying amount	1,612,099	2,317,907	20,378	11,838	252,644	1,175,880	5,390,746

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 1.5 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 32)*	–	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)
As at 31 December 2023 and 1 January 2024	52,665	204,738	257,403
Depreciation charge	(278)	(7,810)	(8,088)
As at 31 March 2024	52,387	196,928	249,315

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 27).

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
Depreciation charge	(278)	(5,418)	(5,696)
As at 31 March 2024	52,387	166,158	218,545

(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			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year/period	70,976	348,556	241,583	202,790
New leases	312,264	44,113	–	–
Acquisition of a subsidiary *(note 32)*	–	13,447	–	–
Accretion of interest recognised during the year/period	6,170	13,292	11,089	2,428
Remeasurement of lease payments	–	(121,808)	(5,302)	–
Payments	(40,854)	(56,017)	(44,580)	(3,515)
Carrying amount at the end of the year/period	348,556	241,583	202,790	201,703
Analysed into:				
Current portion	36,674	34,046	27,021	25,575
Non-current portion	311,882	207,537	175,769	176,128

The Company

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year/period	–	198,518	183,697	167,395
New leases	220,341	–	–	–
Accretion of interest recognised during the year/period	2,591	9,774	9,033	2,043
Payments	(24,414)	(24,595)	(25,335)	–
Carrying amount at the end of the year/period	198,518	183,697	167,395	169,438
Analysed into:				
Current portion	14,821	16,302	17,874	17,946
Non-current portion	183,697	167,395	149,521	151,492

(c) The amounts recognised in profit or loss in relation to leases are as follows:

The Group

	As at 31 December			As at 31 March	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest on lease liabilities	6,170	13,292	11,089	2,889	2,428
Depreciation charge of right-of-use assets	21,864	43,704	40,449	10,545	8,088
Expenses relating to short-term leases and leases of low-value assets	7,448	25,534	12,611	2,630	1,461
Losses/(gains) on remeasurement of lease payments	–	5,490	(35)	–	–
Total amount recognised in profit or loss	35,482	88,020	64,114	16,064	11,977

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
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 32)*	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

	Trademarks and patents	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
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 March 2024			
Cost at 1 January 2024, net of accumulated amortisation and impairment	444,058	47,434	491,492
Additions	–	389	389
Amortisation provided during the period	(17,708)	(2,372)	(20,080)
At 31 March 2024	426,350	45,451	471,801
At 31 March 2024:			
Cost	783,258	65,431	848,689
Accumulated amortisation and impairment	(356,908)	(19,980)	(376,888)
Net carrying amount	426,350	45,451	471,801

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

	Trademarks and patents	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
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
Disposals	–	–	–
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 March 2024			
Cost at 1 January 2024, net of accumulated amortisation and impairment	439,673	41,186	480,859
Additions	–	389	389
Amortisation provided during the period	(17,574)	(1,921)	(19,495)
At 31 March 2024	422,099	39,654	461,753
At 31 March 2024:			
Cost	568,525	50,863	619,388
Accumulated amortisation and impairment	(146,426)	(11,209)	(157,635)
Net carrying amount	422,099	39,654	461,753

16. INVESTMENTS IN JOINT VENTURES

The Group

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	–	64,537	468,695	545,912
Goodwill on acquisition	–	–	2,882,206	2,882,206
Total	–	64,537	3,350,901	3,428,118

The Company

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	–	–	444,104	523,355
Goodwill on acquisition	–	–	2,882,206	2,882,206
Total	–	–	3,326,310	3,405,561

The Group's and the Company's outstanding balances with the joint ventures are disclosed in note 36.

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 March
	2023	2024
	RMB'000	*RMB'000*
Cash and cash equivalents	628,654	922,846
Other current assets	1,162,698	897,769
Current assets	1,791,352	1,820,615
Non-current assets, excluding goodwill	371,558	358,453
Goodwill on acquisition of the joint venture	2,882,206	2,882,206
Financial liabilities, excluding trade and other payables and provisions	(426,000)	(429,440)
Other current liabilities	(829,838)	(686,224)
Current liabilities	(1,255,838)	(1,115,664)
Non-current liabilities	(18,865)	(16,695)
Net assets	3,770,413	3,928,915
Net assets, excluding goodwill	888,207	1,046,709
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	523,355
Goodwill on acquisition	2,882,206	2,882,206
Carrying amount of the investment	3,326,310	3,405,561

	For the period from 1 December 2023 (date of commencement of equity method accounting) to 31 December 2023	Three months ended 31 March 2024
	RMB'000	*RMB'000*
Revenue	656,982	1,242,303
Profit for the period	29,704	158,502

The following table illustrates the financial information of the Group's joint venture that is not individually material:

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of the joint venture's (gain)/loss for the year/period	–	(923)	39,946	2,034
Carrying amount of the Group's investment in the joint venture	–	64,537	24,591	22,557

17. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments, at cost	–	1,618,658	1,619,710	1,621,842
Impairment losses on investments in subsidiaries	–	(697,805)	(754,330)	(754,330)
Investments in subsidiaries	–	920,853	865,380	867,512

The impairment losses on those subsidiaries are as follows:

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Nanjing Zenergy Battery Technologies Co., Ltd.*	–	624,805	660,341	660,341
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	754,330

* 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 36.

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 period	(880)
Gross deferred tax assets at 31 March 2024	29,539

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 32)*	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 period	(3,177)	(1,172)	(4,349)
Gross deferred tax liabilities at 31 March 2024	66,832	29,539	96,371

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			As at 31 March
	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	66,832

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses	1,507,764	556,472	1,507,595	1,807,481
Deductible temporary differences	269,324	1,884,176	1,587,225	1,498,372
Total	1,777,088	2,440,648	3,094,820	3,305,853

The Group has tax losses arising in Chinese Mainland of RMB1,507,764,000, RMB556,472,000, RMB1,507,595,000 and RMB1,807,481,000 as at 31 December 2021, 2022 and 2023 and 31 March 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			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	179,768	232,176	168,100	182,597
Work in progress	73,989	68,722	93,864	113,706
Finished goods	502,804	1,270,612	542,511	507,946
	756,561	1,571,510	804,475	804,249
Less: Provision for inventories	(47,022)	(558,590)	(190,719)	(108,002)
Total	709,539	1,012,920	613,756	696,247

As at 31 December 2021, 2022 and 2023 and 31 March 2024, inventories were stated at the lower of cost and net realisable value.

The movements in provision

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year/period	71,940	47,022	558,590	190,719
Impairment losses recognised	75,127	579,261	282,437	10,221
Amounts written off	(100,045)	(67,693)	(650,308)	(92,938)
Carrying amount at the end of the year/period	47,022	558,590	190,719	108,002

The Company

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	96,386	161,179	131,738	148,571
Work in progress	39,353	38,576	91,227	111,107
Finished goods	226,805	662,671	521,828	493,659
	362,544	862,426	744,793	753,337
Less: Provision for inventories	(5,545)	(191,958)	(180,479)	(98,535)
Total	356,999	670,468	564,314	654,802

As at 31 December 2021, 2022 and 2023 and 31 March 2024, inventories were stated at the lower of cost and net realisable value.

The movements in provision

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year/period	87	5,545	191,958	180,479
Impairment losses recognised	26,512	204,992	265,377	10,221
Amounts written off	(21,054)	(18,579)	(276,856)	(92,165)
Carrying amount at the end of the year/period	5,545	191,958	180,479	98,535

20. TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS

The Group

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	346,532	692,459	1,328,257	984,889
Contract assets	11,966	2,000	6,658	6,658
Commercial acceptance bills receivables	13,070	–	20,465	26,379
Bank acceptance bills receivables	28,818	238,899	415,489	532,125
Due from related parties – trade receivables	254	1,287	–	–
Total	400,640	934,645	1,770,869	1,550,051
Less: Impairment losses	(79,091)	(606,207)	(616,993)	(610,794)
Net carrying amount	321,549	328,438	1,153,876	939,257

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			As at 31 March
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	297,181	315,117	890,722	721,550
3 to 6 months	24,239	13,321	259,402	213,176
6 months to 1 year	25	–	3,752	4,531
1 to 3 years	104	–	–	–
Total	321,549	328,438	1,153,876	939,257

The movements in the impairment losses on trade and bills receivables and contract assets are as follows:

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	80,461	79,091	606,207	616,993
Impairment losses (reversed)/recognised	(1,370)	605,877	10,786	(6,199)
Decrease from the Reorganisation	–	(78,761)	–	–
At end of year/period	79,091	606,207	616,993	610,794

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	Total
As at 31 March 2024				
On a collective basis:				
Expected credit loss rate	1.76%	1.76%	2.73%	1.77%
Gross carrying amount *(RMB'000)*	331,255	52,130	4,658	388,043
Expected credit losses *(RMB'000)*	5,829	915	127	6,871
On an individual basis:				
Expected credit loss rate				100.00%
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 small as at the end of each of the Relevant Periods.

The Company

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	690,094	1,325,877	982,707
Contract assets	–	2,000	6,658	6,658
Commercial acceptance bills receivables	–	–	20,465	26,379
Bank acceptance bills receivables	4,000	111,419	410,329	526,991
Due from subsidiaries – bills receivables	–	20,000	–	–
Due from related parties – trade receivables	303,581	–	–	–
Due from related parties – bills receivables	125,885	–	–	–
Total	433,466	823,513	1,763,329	1,542,735
Less: Impairment losses	(123)	(603,810)	(614,819)	(608,625)
Net carrying amount	433,343	219,703	1,148,510	934,110

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			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	433,343	215,414	888,499	718,559
3 to 6 months	–	4,289	256,259	211,196
6 months to 1 year	–	–	3,752	4,355
Total	433,343	219,703	1,148,510	934,110

The movements in the loss allowance for impairment of trade and bills receivables and contract assets are as follows:

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	23	123	603,810	614,819
Impairment losses recognised/(reversed)	100	603,687	11,009	(6,194)
At end of year/period	123	603,810	614,819	608,625

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	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				100.00%
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
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 March 2024				
On a collective basis:				
Expected credit loss rate	1.76%	1.76%	6.48%	1.82%
Gross carrying amount *(RMB'000)*	331,213	52,131	4,657	388,001
Expected credit losses *(RMB'000)*	5,828	917	302	7,047
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. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion:				
Prepayments to suppliers	24,552	16,071	8,556	6,968
Other receivables	54,304	135	202	431
Other tax recoverable	116,580	167,469	68,168	77,474
Prepaid expenses	3,426	6,022	3,415	2,505
Deposits	5,553	6,055	805	528
	204,415	195,752	81,146	87,906
Impairment allowance	(54,246)	(53)	(10)	(11)
Subtotal	150,169	195,699	81,136	87,895
Non-current portion:				
Other receivables	12,179	702	702	702
Deposits	8,499	46,118	46,186	46,201
Prepayments for long-term assets	378,316	108,109	9,186	13,899
	398,994	154,929	56,074	60,802
Impairment allowance	(330)	(647)	(710)	(1,398)
Subtotal	398,664	154,282	55,364	59,404
Total	548,833	349,981	136,500	147,299

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			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion:				
Prepayments to suppliers	16,037	13,512	7,769	5,987
Other receivables	45	123	163	393
Other tax recoverable	13,925	17,931	30,260	24,840
Prepaid expenses	3,349	5,933	3,374	2,363
Deposits	5	3,498	677	400
Due from a related party	123,074	–	–	–
Due from subsidiaries	1,000	152,270	42,184	167,870
	157,435	193,267	84,427	201,853
Impairment allowance	(1)	(42,037)	(42,007)	(42,009)
Subtotal	157,434	151,230	42,420	159,844
Non-current portion:				
Deposits	8,497	42,415	42,611	42,611
Prepayments for long-term assets	336,383	107,353	8,880	13,529
	344,880	149,768	51,491	56,140
Impairment allowance	(34)	(602)	(655)	(655)
Subtotal	344,846	149,166	50,836	55,485
Total	502,280	300,396	93,256	215,329

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at 31 December			As at 31 March
	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			As at 31 March
	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 Chinese Mainland. 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.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

The Group

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	767,411	936,164	2,034,279	2,182,806
Pledged deposits	1,020,347	1,035,350	472,305	496,840
Total	1,787,758	1,971,514	2,506,584	2,679,646

	As at 31 December			As at 31 March
	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	2,142,732
Denominated in United States dollar ("**USD**")	2,443	–	–	40,074
Denominated in Euro ("**EUR**")	36	–	–	–
Total	767,411	936,164	2,034,279	2,182,806
Pledged deposits denominated in RMB	1,020,347	1,035,350	472,305	496,840

The Company

	As at 31 December			As at 31 March
	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	1,722,213
Denominated in USD	–	–	–	40,074
Total	694,862	861,892	1,826,928	1,762,287
Pledged deposits denominated in RMB	450,767	763,419	457,906	482,896

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 deposits were pledged for issuance of bank acceptance bills (note 24) and interest-bearing bank borrowings (note 27).

As at 31 December 2021, 2022 and 2023 and 31 March 2024, the Group and the Company have assessed the credit risk of cash and cash equivalents and pledged deposits to be minimal as they were placed in reputable financial institutions.

24. 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			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	1,808,665	3,011,888	3,415,144	3,105,512
1 to 2 years	2,781	444	710	698
2 to 3 years	1,843	–	–	–
Total	1,813,289	3,012,332	3,415,854	3,106,210

The trade payables are non-interest-bearing and are normally settled in 30 to 90 days upon receipt of the VAT invoice.

As at 31 December 2021, 2022 and 2023 and 31 March 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 RMB396,840,000, respectively.

The Company

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	914,041	2,475,434	3,358,969	2,930,698
1 to 2 years	–	386	175	117
Total	914,041	2,475,820	3,359,144	2,930,815

As at 31 December 2021, 2022 and 2023 and 31 March 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 RMB382,896,000, respectively.

25. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December			As at 31 March
	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	1,218,772
Payroll and welfare payable	28,527	38,546	49,448	43,127
Accrued expenses	24,185	40,317	67,521	60,689
Other tax payables	5,562	42,755	38,688	80,484
Other payables	5,344	30,713	33,541	37,138
Acquisition consideration payable for a joint venture *(note 16 and note 36(b))*	–	–	346,000	–
Due to related parties	–	368,657	105,239	106,024
Total	342,349	1,480,456	1,945,523	1,546,234

The Company

	As at 31 December			As at 31 March
	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	1,201,887
Payroll and welfare payable	11,854	23,695	40,714	36,312
Accrued expenses	4,071	38,744	65,809	57,993
Other tax payables	3,148	32,414	12,980	59,212
Other payables	1,649	15,394	27,146	29,592
Due to subsidiaries	–	–	332,143	338,812
Due to related parties	–	348,332	85,219	85,219
Acquisition consideration payable for a joint venture *(note 16 and note 36(b))*	–	–	346,000	–
Total	242,141	1,401,239	2,197,729	1,809,027

Other payables are non-interest-bearing, unsecured and have no fixed terms of settlement.

26. CONTRACT LIABILITIES

The Group

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	40,855	145,385	44,662	399,821

The Company

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	6,168	223,420	44,644	399,814

Contract liabilities represented advances received to deliver products. The increase in contract liabilities in three months ended 31 March 2024 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.

27. 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	1.65%-3.30%	2024	340,356
Bank borrowings – unsecured	3.00%-3.20%	2024	350,330
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 March 2024		
	Effective interest rate	*Maturity*	*RMB'000*
Current			
Bank borrowings – secured	2.14%-3.30%	2024	429,113
Bank borrowings – unsecured	2.85%-3.10%	2024-2025	600,451
Current portion of long-term bank borrowings – secured	3.75%	2024	7,173
Total – current			1,036,737
Non-current			
Bank borrowings – secured	3.75%	2025-2028	2,964,050
Total			4,000,787

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	1.65%-3.30%	2024	340,356
Bank borrowings – unsecured	3.00%-3.20%	2024	350,330
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 March 2024		
	Effective interest rate	*Maturity*	*RMB'000*
Current			
Bank borrowings – secured	2.14%-3.30%	2024	429,113
Bank borrowings – unsecured	2.85%-3.10%	2024-2025	600,451
Current portion of long-term bank borrowings – secured	3.75%	2024	7,173
Total – current			1,036,737
Non-current			
Bank borrowings – secured	3.75%	2025-2028	2,964,050
Total			4,000,787

The Group

	As at 31 December			As at 31 March
	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	1,036,737
In the second year	–	–	500,000	1,000,000
In the third to fifth years, inclusive	–	2,310,258	2,341,494	1,964,050
Subtotal	69,082	2,889,392	3,535,631	4,000,787
Other borrowings repayable:				
Within one year	1,090,582	–	–	–
Total	1,159,664	2,889,392	3,535,631	4,000,787

The Company

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank borrowings repayable:				
Within one year	–	579,134	694,137	1,036,737
In the second year	–	–	500,000	1,000,000
In the third to fifth years, inclusive	–	2,310,258	2,341,494	1,964,050
Total	–	2,889,392	3,535,631	4,000,787

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 and 2023 and 31 March 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 RMB53,778,000, RMB52,665,000, and RMB52,387,000, respectively, and property, plant and equipment with aggregate carrying amounts of approximately RMB650,201,000, RMB609,502,000 and RMB597,405,000, 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 2022 and 31 March 2024, the Group and the Company's certain interest-bearing bank borrowings were secured by the pledged deposits amounting to RMB38,700,000 and RMB100,000,000, respectively.

28. PROVISION

The Group

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	17,401	39,020	100,781	168,788
Additional provision	25,082	67,327	74,201	16,834
Acquisition of a subsidiary *(note 32)*	–	1,079	–	–
Amounts utilised during the year/period	(3,463)	(6,645)	(6,194)	(2,144)
At the end of the year/period	39,020	100,781	168,788	183,478
Portion classified as current liabilities	5,086	12,958	22,809	24,571
Non-current portion	33,934	87,823	145,979	158,907

The Company

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	–	579	100,174	168,181
Transferred from Reorganisation*	–	48,015	–	–
Additional provision	579	57,753	74,201	16,834
Amounts utilised during the year/period	–	(6,173)	(6,194)	(2,144)
At the end of the year/period	579	100,174	168,181	182,871
Portion classified as current liabilities	72	12,958	22,809	24,571
Non-current portion	507	87,216	145,372	158,300

* Further details of the Reorganisation are given in note 31 to the Historical Financial Information.

29. PAID-IN CAPITAL

The Group and the Company

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued and fully paid:				
Paid-in capital	1,552,495	1,881,850	2,255,935	2,255,935

A summary of movements in the Company's paid-in capital is as follows:

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	1,552,495	1,552,495	1,881,850	2,255,935
Shareholders' capital contribution	–	329,355	5,144	–
Issurance of shares for acquisition of a joint venture	–	–	368,941	–
At the end of the year/period	1,552,495	1,881,850	2,255,935	2,255,935

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 capital 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.

30. SHARE-BASED PAYMENTS

Expenses arising from equity-settled share-based payment transactions were as follows:

	Year ended 31 December			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Share Option Plan (a)	22,611	6,772	13,201	2,403	5,108
Share Incentive Plan (b)	–	28,266	30,733	7,683	8,698
Total	22,611	35,038	43,934	10,086	13,806

	Year ended 31 December			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cost of sales	3,156	1,837	1,612	402	500
Selling and marketing expenses	3,464	2,757	3,334	834	855
Administrative expenses	7,795	16,497	25,346	5,909	8,260
Research and development expenses	8,196	13,947	13,642	2,941	4,191
Total	22,611	35,038	43,934	10,086	13,806

(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 Reorgnisation, 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 [**REDACTED**] 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. After taking into consideration of the best estimation of the [**REDACTED**], 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 options. The Group accounts for the Scheme as an equity-settled plan.

Share options 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

	Three months ended 31 March 2024	
	Exercise price	Number of Share Awards*
		'000
At the beginning of the period	RMB1.00-RMB4.20	34,954
Granted	RMB4.05	520
Forfeited	RMB1.00-RMB1.44	(520)
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 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 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, respectively, in the form of restricted shares at the subscription price of RMB1.00 per share and RMB3.67 per share, respectively.

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 [**REDACTED**] and certain shares will be vested to the later of (1) the date of successful [**REDACTED**] 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 [**REDACTED**], 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		Three months ended 31 March
		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/period	3.96-6.63	–	16,335	21,564
Granted	3.96-6.63	20,322	7,513	–
Forfeited	3.96-6.63	(3,987)	(2,284)	(1,707)
At the end of the year/period	3.96-6.63	16,335	21,564	19,857

31. 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) Capital premium

The capital 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 30 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 utilized.

32. 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 Chinese Mainland 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	*28*	(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 date 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.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2021 and 31 December 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 32)*	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	429,098	(3,515)	425,583
Interest expense	36,058	2,428	38,486
At 31 March 2024	4,000,787	201,703	4,202,490

(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			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Within operating activities	7,448	25,534	12,611	2,630	1,461
Within financing activities	40,854	56,017	44,580	5,964	3,515
Total	48,302	81,551	57,191	8,594	4,976

34. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	Year ended 31 December			Three months ended 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	1,661,603	1,163,135	514,662	386,704

35. 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 23, 24 and 27 to the Historical Financial Information.

36. 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			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*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	–	–	–
Shareholders:					
Provision of technical services					
Zenergy Investment	5,045	–	–	–	–
Reception of rental services					
Nanjing Lukou Konggang Investment Development Co., Ltd..	2,270	2,480	1,810	453	263

	Year ended 31 December			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
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	–	–	–
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	281	979
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			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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 the shareholder of the Company:				
Trade and bills payables				
Suzhou Zenlead Energy Storage Technologies Co., Ltd.	13,759	–	–	–
A fellow subsidiary:				
Other payables and accruals				
Jiangsu TAFEL	–	348,332	85,219	85,219

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Shareholders:				
Consideration payable for acquisition of STAES SINOGY VC	–	–	346,000	–
Other borrowings				
Nanjing Lukou Konggang Investment Development Co., Ltd.	1,090,582	–	–	–
A joint venture:				
Trade and bills receivables				
Jiangsu Aiev New Energy Technologies Co., Ltd.	–	1,287	–	–
Other payables and accruals				
Jiangsu Aiev New Energy Technologies Co., Ltd.	–	20,325	20,020	20,805

Details of the Group's borrowings from the Company's shareholder as at 31 December 2021 are included in note 27.

Except the abovementioned borrowings, as at 31 December 2021, 2022 and 2023 and 31 March 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			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
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	85,219
Prepayments, other receivables and other assets				
Jiangsu TAFEL	123,074	–	–	–
Trade and bills receivables				
Jiangsu TAFEL	429,212	–	–	–

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
A joint venture of the shareholder of the Company:				
Trade and bills receivables				
Suzhou ZENIO	254	–	–	–
A subsidiary of a joint venture of the shareholder of the Company:				
Trade and bills payables				
Suzhou Zenlead Energy Storage Technologies Co., Ltd.	13,275	–	–	–
Subsidiaries:				
Trade and bills receivables				
Nanjing Zenergy Battery Technologies Co., Ltd.	–	20,000	–	–
Prepayments, other receivables and other assets				
Jiangsu Zenergy Power Battery System Co., Ltd.	1,000	–	–	–
Dongguan Zenergy Battery Technologies Co., Ltd.	–	135,807	42,000	42,000
Nanjing Zenergy Battery Technologies Co., Ltd.	–	16,463	–	–
Suzhou ZENIO	–	–	184	125,870
Impairment allowance	–	(42,000)	(42,000)	(42,000)
Total	1,000	110,270	184	125,870
Trade and bills payables				
Suzhou ZENIO	–	100,785	349,809	180,179
Nanjing Zenergy Battery Technologies Co., Ltd.	–	450,527	27,544	169
Total	–	551,312	377,353	180,348
Other payables and accruals				
Suzhou ZENIO	–	–	–	691
Nanjing Zenergy Battery Technologies Co., Ltd.	–	–	332,143	338,121
Total	–	–	332,143	338,812

As at 31 December 2021, 2022 and 2023 and 31 March 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			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Short term employee benefits	6,981	6,571	8,221	2,042	2,500
Share-based payment expenses	296	2,272	3,927	805	1,564
Pension scheme contributions	393	457	593	142	170
Total compensation paid to key management personnel	7,670	9,300	12,741	2,989	4,234

Further details of directors' and supervisors' emoluments are included in note 8 to the Historical Financial Information.

37. 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 March 2024

Financial assets

	Financial assets at amortised cost
	RMB'000
Trade and bills receivables	932,761
Financial assets included in prepayments, other receivables and other assets	46,453
Pledged deposits	496,840
Cash and cash equivalents	2,182,806
Total	3,658,860

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	3,106,210
Financial liabilities included in other payables and accruals	1,422,623
Interest-bearing bank and other borrowings	4,000,787
Total	8,529,620

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, 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 Chinese Mainland. 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.

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

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.

39. 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
Three months ended 31 March 2024		
RMB	50	(17,595)
RMB	(50)	17,595

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 March 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*	–	–	–	1,543,393	1,543,393
Contract assets*	–	–	–	6,658	6,658
Financial assets included in prepayments, other receivables and other assets					
– Normal**	47,862	–	–	–	47,862
Pledged deposits					
– Not yet past due	496,840	–	–	–	496,840
Cash and cash equivalents					
– Not yet past due	2,182,806	–	–	–	2,182,806
Total	2,727,508	–	–	1,550,051	4,277,559

* For trade and bills receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20.

** 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%, 61.1% and 95.8%, 99.4%, 90.8%, 95.9% 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	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	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	721,513	3,054,555	–	3,776,068
Lease liabilities	38,388	175,837	31,758	245,983
Trade and bills payables	3,415,854	–	–	3,415,854
Financial liabilities included in other payables	1,857,387	–	–	1,857,387
Total	6,033,142	3,230,392	31,758	9,295,292

	Within 1 year or on demand	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 March 2024				
Interest-bearing bank and other borrowings	1,027,827	3,150,764	–	4,178,591
Lease liabilities	38,388	146,707	31,758	216,853
Trade and bills payables	3,106,210	–	–	3,106,210
Financial liabilities included in other payables	1,422,623	–	–	1,422,623
Total	5,595,048	3,297,471	31,758	8,924,277

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			As at 31 March
	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	4,000,787
Lease liabilities	348,556	241,583	202,790	201,703
Less: Cash and cash equivalents	767,411	936,164	2,034,279	2,182,806
Net debt	740,809	2,194,811	1,704,142	2,019,684
Equity attributable to owners of the parent	1,980,555	2,472,564	4,747,233	4,691,140
Capital and net debt	2,721,364	4,667,375	6,451,375	6,710,824
Gearing ratio	27%	47%	26%	30%

40. EVENTS AFTER THE RELEVANT PERIODS

Pursuant to a shareholders' resolution of the Company in June 2024, the Company was converted into a joint stock company with 2,255,935,152 shares with a nominal value of RMB1.00 each issued to the then shareholders of the Company in proportion to their capital contribution to the Company, with the remaining RMB3,066,334,982.75 in net assets included as capital reserves of the Company.

The conversion was completed on 17 July 2024 when the Company obtained a new business license and changed its name from Jiangsu Zenergy Battery Technologies Co., Ltd. to Jiangsu Zenergy Battery Technologies Group Co., Ltd.

41. 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 March 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

	Notes	Year ended 31 December 2021	Year ended 31 December 2022	Eleven months ended 30 November 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

		As at 31 December		As at 30 November
	Notes	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

		Year ended 31 December		Eleven months ended 30 November
	Notes	**2021**	**2022**	**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		Eleven months ended 30 November
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	713,481	755,715	693,264
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						As at 30 November		
	2021			2022			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.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

This Appendix is mainly providing [**REDACTED**] 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 [**REDACTED**].

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 [**REDACTED**] 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) [**REDACTED**] of shares;

(2) non-[**REDACTED**] 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 and 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 [**REDACTED**].

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 [**REDACTED**] shares shall be registered with the local [**REDACTED**] entrusted by our Company.

Shares issued by our Company prior to the [**REDACTED**] shall not be transferred within one year from the date our Company's shares are [**REDACTED**] 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 [**REDACTED**]; 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 [**REDACTED**] 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 [**REDACTED**] 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 in proportion to their shareholdings;

(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 data 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 15 days or 10 business 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 officer has a material interest in the matter to be discussed at the meeting, the nature and degree of interest shall be disclosed; if the influence of the matter to be discussed on such a Director, Supervisor, general manager or other senior officer in their capacity as Shareholders is different from the influence on other Shareholders, such difference shall be explained;

(5) meeting materials necessary for Shareholder's voting;

(6) explain in conspicuous words that all Shareholders have the right to attend the Shareholders' meeting and may appoint a proxy in writing to attend the meeting and participate in the vote, and the Shareholder proxy need not be a Shareholder of our Company;

(7) state the time and address of delivery of the power of attorney for the voting proxy;

(8) share registration date of the Shareholders entitled to attend the Shareholders' meeting;

(9) the convener and chair of a 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 conference affairs;

(11) time and voting procedures for online or other method of voting;

(12) the notice and supplementary notice of the online or other voting 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. In case 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 at the same time 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 its 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 forfeiting 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.

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 resolutions made at Board meetings 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 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 or without the approval of the Shareholders' meeting or the Board;

(5) shall not accept commission for transactions with our Company 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 the 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 scope of 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, department 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 said accounting year, and publish the interim report within three months from the end of the first six months of an 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 said accounting year, and publish the interim performance announcement within two months from the end of the first six months of an 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 foregoing provision for statutory reserves, 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 provisions for 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 business, or increase the registered capital of our Company. To make up our Company's losses, 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 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 plan, the Board shall complete the distribution of dividends (or shares) within six months from the date of the Shareholders' meeting.

The amounts paid by Shareholders for shares before calls 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 [**REDACTED**] shares, who shall receive the dividends and other payables of our Company in respect of overseas [**REDACTED**] 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 [**REDACTED**] 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 forfeit any dividend unclaimed, provided that such power of forfeiture 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 [**REDACTED**] shares; provided that our Company may exercise such power of termination 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 [**REDACTED**] 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.

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 accessible to any Shareholder, or other information related to the meeting, 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 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 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 post-division Company 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 our 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 valid 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 dispose of 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. 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 detailed inventory of assets have been formulated, and shall be submitted to the Shareholders' meeting or people's court for confirmation.

The assets of our Company shall be applied for liquidation in the following order: 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 after settlement of all liabilities in accordance with the provisions of the preceding article 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 our 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 (on the assumption that the Series B [**REDACTED**] Investments have been completed), 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 [●], 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—Summary of Articles of Association".

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—[**REDACTED**] Investments", there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this Document.

Changes in Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries as at March 31, 2024 are set out in the Accountants' Report in Appendix I to this Document.

Details of the changes in the share capital of the Company's subsidiaries within the two years immediately preceding the date of this Document are set out below:

(a) On August 12, 2022, Nanjing Zenergy Battery Technologies Co., Ltd. (南京正力新能電池技術有限公司) increased its registered capital from RMB200 million to RMB2,300 million; and

(b) On May 22, 2024, Suzhou Zenergy Battery Technology 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.

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 Document.

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 [**REDACTED**] on the Hong Kong Stock Exchange;

(b) the number of H Shares to be issued pursuant to the [**REDACTED**], and the grant to the [**REDACTED**] (or their representatives) of the [**REDACTED**] of not more than [**REDACTED**]% of the number of H Shares issued pursuant to the [**REDACTED**];

(c) upon completion of the [**REDACTED**], [**REDACTED**] 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 [**REDACTED**], the issue and [**REDACTED**] of the H Shares; and

(e) subject to the completion of the [**REDACTED**], 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 [**REDACTED**], 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

  (a) subject to the completion of the [**REDACTED**], the conditional adoption of the Articles of Association, which shall become effective on the [**REDACTED**] 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 Document 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 [**REDACTED**] 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 [**REDACTED**] H Shares in issue as of the [**REDACTED**] 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 [**REDACTED**]) would result in a maximum of [**REDACTED**] 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 [**REDACTED**].

(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 [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**] pending [**REDACTED**] 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 [**REDACTED**] to vote at general meetings for the treasury shares deposited with [**REDACTED**];

(ii) in the case of dividends or distributions (if any and where applicable), withdrawing the treasury shares from [**REDACTED**], 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 [**REDACTED**].

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 contract(s) (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Document that is or may be material:

(a) the equity transfer agreement 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); and

(b) [**REDACTED**].

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
1	zenergy Technologies	Suzhou ZENIO	37892134	PRC
2	ZENERGY TECHNOLOGIES	Suzhou ZENIO	38434220	PRC
3	正力新能	Suzhou ZENIO	67296768	PRC
4	正力新能	Suzhou ZENIO	63606345	PRC
5	正力新能	Suzhou ZENIO	71370890	PRC
6	ZENERGY	Our Company	71374747	PRC
7	ZENERGY	Our Company	65007580	PRC
8	正力新能	Our Company	65939157	PRC
9	正力乾坤	Our Company	68762221	PRC
10	eVTOL CELL	Our Company	67774665	PRC
11	eVTOL SYSTEM	Our Company	67788955	PRC
12	Zenergy QianKun	Our Company	68772529	PRC
13		Our Company	65924307	PRC
14		Our Company	306512931	Hong Kong
15	正力新能	Our Company	306512940	Hong Kong
16	ZENERGY	Our Company	306512959	Hong Kong

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	Registered Owner	Patent Number
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)	Our Company	2016108904427
2 . .	A hybrid solid-state battery (一種混合型全固態電池)	Our Company	2018107715287
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)	Our Company	2019102052342
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)	Our Company	2019111431761
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)	Our Company	2020107935284
6 . .	An electrode, battery cell and secondary battery (一種極片、電芯及二次電池)	Our Company	2020112204236
7 . .	A Lithium-Ion battery (一種鋰離子電池)	Our Company	2020113361003
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)	Our Company	2021109009459
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)	Our Company	2021108641827
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)	Our Company	2022106958112
11. .	A lithium replenishment anode and secondary battery (一種補鋰負極極片和二次電池)	Our Company	202210875323X
12. .	A Lithium-Ion battery (一種鋰離子電池)	Our Company	2022108572840
13. .	A Lithium-Ion battery and battery pack (一種鋰離子電池及電池組)	Our Company	2022106837724
14. .	A Lithium-Ion battery and battery pack (一種鋰離子電池、電池包)	Our Company	2022106836238

No.	Patent Name	Registered Owner	Patent Number
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)	Our Company	2022112290495
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)	Our Company	2022111932428
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)	Our Company	2022114357625
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)	Our Company	2023100777921
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)	Our Company	2023101575486
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)	Our Company	2023100870047
21. .	MXene-coated cathode materials and its preparation method, cathode and litium-ion battery (MXene包覆正極材料及其製備方法、正極片和鋰離子電池)	Our Company	2023100620662
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)	Our Company	2023104778406
23. .	An anode and its application (一種正極極片及其應用)	Our Company	2023106094834
24. .	A silicon-carbon anode material and its application (一種硅碳負極材料及其應用)	Our Company	2023107104462
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)	Our Company	2023109589773
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)	Our Company	2023109957328
27. .	A Lithium-Ion secondary battery (一種鋰離子二次電池)	Our Company	2023109507190

No.	Patent Name	Registered Owner	Patent Number
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)	Our Company	2023116118074
29. .	Electrode, battery cell and battery (極片、電芯及電池)	Our Company	2020208774694
30. .	A battery and ESS (一種電池及儲能裝置)	Our Company	2022212308210
31. .	Separator, battery cell and electrical equipment (隔膜、電芯及用電設備)	Our Company	2022233866325
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)	Our Company	2020213177602
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)	Our Company	2020213181379
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)	Our Company	2020216788400
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)	Our Company	2020223110613
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)	Our Company	202022381137X
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)	Our Company	2020226590400
38. .	A battery top cover and battery (一種電池頂蓋及電池)	Our Company	2020226620088
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)	Our Company	2020227555758
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)	Our Company	2020230602383
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)	Our Company	2021207352007
42. .	Insulated parts of top cover of battery, and power battery (電池頂蓋絕緣件和動力電池)	Our Company	2022200667570
43. .	Lower plastic and battery (下塑膠和電池)	Our Company	2022220762205

No.	Patent Name	Registered Owner	Patent Number
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)	Our Company	2022231312086
45. .	Battery top cover and battery (電池頂蓋及電池)	Our Company	2023203750697
46. .	A battery top cover component and power battery (一種電池頂蓋組件及動力電池)	Our Company	2023203778847
47. .	A secondary battery plastic part and battery (一種二次電池用的塑膠件及電池)	Our Company	2023203891055
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)	Our Company	2023205576549
49. .	A battery and electrical devices (一種電池及用電裝置)	Our Company	2023207721157
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)	Our Company	2023214065203
51. .	A top cover component, battery and electrical equipment (一種頂蓋組件、電池及用電設備)	Our Company	2023218105106
52. .	Top cover component (頂蓋組件)	Nanjing Zenergy Battery Technologies Co., Ltd.	2023222639464
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)	Our Company	202322444896X
54. .	Battery pack and electical devices (電池包和用電裝置)	Our Company	2023101429884
55. .	A battery (一種電池)	Our Company	2023202754900
56. .	A battery pack (電池包)	Our Company	2022230150351
57. .	A jumper conflux component and battery (一種跨接匯流組件及電池)	Our Company	2023202744400
58. .	A battery pack (電池包)	Our Company	2022230201688
59. .	A battery and electrical equipment (一種電池及用電設備)	Our Company	2023202746124
60. .	A battery and electrical device (一種電池及用電裝置)	Our Company	2023202744453
61. .	A battery pack and electrical device (一種電池包及用電裝置)	Our Company	2023206948642
62. .	A battery and electrical device (一種電池及用電裝置)	Our Company	2023206944336

No.	Patent Name	Registered Owner	Patent Number
63. .	Battery thermal management system (電池熱管理系統)	Our Company	2022225679810
64. .	A battery case, battery pack and electrical equipment (一種電池殼體、電池包和用電設備)	Our Company	2023113988348
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)	Our Company	2022111049923
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)	Our Company	2022111050032
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)	Our Company	2022111053806
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)	Our Company	2022224116476
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)	Our Company	2022224089055
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)	Our Company	2022224091375
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)	Our Company	2022224089021
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)	Our Company	2022224116029
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)	Our Company	2022224090226
74. .	A battery cell, battery module and battery pack (一種電芯、電池模組和電池包)	Our Company	2022105015953
75. .	A Lithium-Ion secondary battery and electrical device (一種鋰離子二次電池及用電裝置)	Our Company	2022106312779

No.	Patent Name	Registered Owner	Patent Number
76. .	A battery and electrical device (一種電池和用電裝置)	Our Company	2022109680490
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)	Our Company	2022115035239
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)	Our Company	2023104760722
79. .	A cylindrical battery and its can-cap component (一種圓柱電池及其蓋帽組件)	Our Company	2022104058951
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)	Our Company	2022108094139
81. .	A pouch battery and its forming method (一種軟包電池及軟包電池的成型方法)	Our Company	2022112345479
82. .	A surface treatment device for battery top cover (一種電池頂蓋的表面處理裝置)	Our Company	2022113425964
83. .	A cylindrical battery and electrical equipment (一種圓柱電池及用電設備)	Our Company	202310507071X
84. .	Battery, battery module and electrical equipment (電池、電池模組及用電設備)	Our Company	2023115727037
85. .	Battery connector, battery and electrical equipment (電池轉接組件、電池及用電設備)	Our Company	202311573042X
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)	Our Company	2019108748070
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)	Our Company	2019110876645
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)	Our Company	2022106461805
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)	Our Company	202210726306X
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)	Our Company	2022110141477

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, 2025

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 [**REDACTED**] (assuming that the [**REDACTED**] 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(1)		Immediately following the [REDACTED] (assuming the [REDACTED] is not exercised)		
Name of Shareholder	Nature of Interest	Number of Shares	Approximate percentage of shareholding in our total share capital	Number of Shares(2)	Approximate percentage of shareholding in Unlisted Shares/ H Shares(3)	Approximate percentage of shareholding in our total share capital(3)
Ms. Cao(4)	Interest in controlled corporations	1,159,012,918	48.56%	**[REDACTED]** Unlisted Shares (L)	**[REDACTED]**%	**[REDACTED]**%
				[REDACTED] H Shares (L)	**[REDACTED]**%	**[REDACTED]**%
	Interest in parties acting in concert through a controlled corporation	382,946,254	16.04%	–	–	–
Dr. Chen(4)	Interest in controlled corporations	1,159,012,918	48.56%	**[REDACTED]** Unlisted Shares (L)	**[REDACTED]**%	**[REDACTED]**%
				[REDACTED] H Shares (L)	**[REDACTED]**%	**[REDACTED]**%
	Interest in parties acting in concert through a controlled corporation	382,946,254	16.04%	–	–	–

Notes:

(1) In this table and its notes, figures are presented and references to the Latest Practicable Date are made on the assumption that the Series B [**REDACTED**] Investments have been completed.

(2) The letter "L" denotes the person's long position in the Shares.

(3) The calculation is based on the total number of [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares in issue immediately after completion of the [**REDACTED**] since [**REDACTED**] Unlisted Shares will be converted into H Shares and [**REDACTED**] H Shares will be issued pursuant to the [**REDACTED**], assuming that the [**REDACTED**] is not exercised.

(4) 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, [**REDACTED**] 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 [**REDACTED**]. As such, immediately upon completion of the [**REDACTED**] (assuming that the [**REDACTED**] 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 [**REDACTED**] and without taking into account any H Shares which may be issued pursuant to the exercise of the [**REDACTED**], 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 [**REDACTED**], 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 Document, none of our Directors or Supervisors received other remunerations of benefits in kind from us for the three financial years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 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, 2024 is approximately RMB8.0 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 Document:

(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 Document 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 Document 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 [**REDACTED**], 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 [**REDACTED**], 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.

[REDACTED] EQUITY INCENTIVE PLANS

The following is a summary of the principal terms of the [**REDACTED**] Equity Incentive Plans. The terms of the [**REDACTED**] Equity Incentive Plans are not subject to the provisions of Chapter 17 of the Listing Rules as each of the [**REDACTED**] Equity Incentive Plans does not involve the grant of new options or awards by our Company after the [**REDACTED**]. The [**REDACTED**] Equity Incentive Plans will not cause any dilution of the shareholding of our Shareholders after the [**REDACTED**] given all underlying Shares of the options and awards granted under the [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**] of the Company, and certain other awards will be subject to a lock-up period ending upon (a) the date of successful [**REDACTED**] 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.

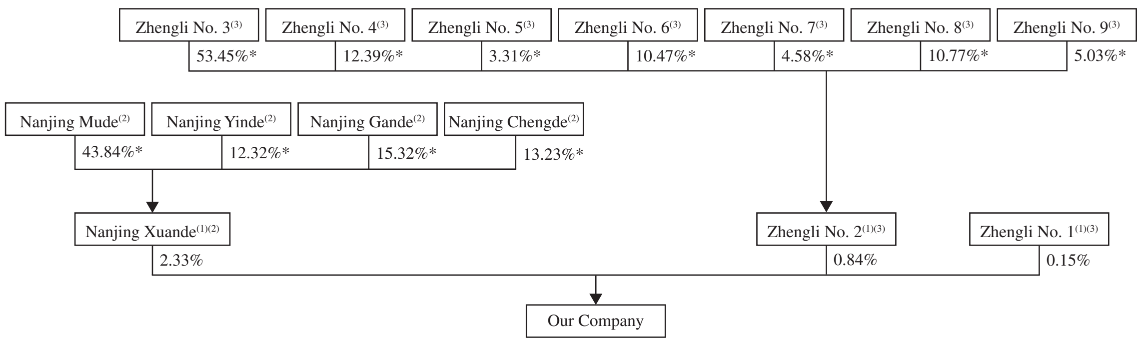
Prior to the [**REDACTED**] of the Company, except as otherwise reviewed and approved by the Working Group, the grantees shall not directly or indirectly dispose the partnership interests held in the Equity Incentive Platforms.

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 [**REDACTED**] Equity Incentive Plans as at the Latest Practicable Date is set out below.



* representing limited partnership interests

Notes:

(1) The shareholding percentages of Nanjing Xuande, Zhengli No. 2 and Zhengli No. 1 in our Company are based on the assumption that the Series B [**REDACTED**] Investments have been completed.

(2) 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) 14.01% by Zhengli Consulting as its general partner, (ii) 73.22% by 16 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) 23.60% by Zhengli Consulting as its general partner, (ii) 33.21% by 16 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) 16.36% by Zhengli Consulting as its general partner, (ii) 66.29% by 21 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) 19.86% by Zhengli Consulting as its general partner, (ii) 66.75% by 18 Participants of the Share Option Plan as limited partners, and (iii) 13.39% by a former employee of Jiangsu TAFEL as a limited partner.

(3) Zhengli No. 1 is held as to approximately (i) 14.80% and 0.01% by Ms. Cao and Dr. Chen as general partners, respectively, and (ii) 85.20% by 35 Participants of the Share Incentive Plan as limited partners.

Zhengli No. 2 is held as to approximately (i) 0.01% 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) 1.03% and 0.01% by Ms. Cao and Dr. Chen as general partners, respectively, and (ii) 98.97% by 41 Participants of the Share Incentive Plan as limited partners.

Zhengli No. 4 is held as to approximately (i) 18.83% and 0.01% by Ms. Cao and Dr. Chen as general partners, respectively, and (ii) 81.16% by 36 Participants of the Share Incentive Plan as limited partners.

Zhengli No. 5 is held as to approximately (i) 3.03% and 0.02% by Ms. Cao and Dr. Chen as general partners, respectively, and (ii) 96.95% by 31 Participants of the Share Incentive Plan as limited partners.

Zhengli No. 6 is held as to approximately (i) 20.78% and *de minimis* by Ms. Cao and Dr. Chen as general partners, respectively, and (ii) 79.21% by 21 Participants of the Share Incentive Plan as limited partners.

Zhengli No. 7 is held as to approximately (i) 27.55% and 0.01% by Ms. Cao and Dr. Chen as general partners, respectively, and (ii) 72.44% by 24 Participants of the Share Incentive Plan as limited partners.

Zhengli No. 8 is held as to approximately (i) 0.01% by Ms. Cao and Dr. Chen as general partners, respectively, and (ii) 99.99% by 41 Participants of the Share Incentive Plan as limited partners.

Zhengli No. 9 is held as to approximately (i) 8.96% and 0.01% by Ms. Cao and Dr. Chen as general partners, respectively, and (ii) 91.03% by 37 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 Latest Practicable Date, 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) 49,432,253 Shares have been utilized for granting options or awards (all of which have been vested) to Participants of the [**REDACTED**] Equity Incentive Plans in the form of limited partnership interests in the Equity Incentive Platforms;

(ii) 12,638,629 Shares are indirectly held by Ms. Cao and Dr. Chen in their capacity as general partners of the Equity Incentive Platforms. Such Shares represent options and awards which may be granted to Participants of the [**REDACTED**] Equity Incentive Plans prior to the [**REDACTED**]. If certain of such Shares have not been utilized for grant of options and awards to specific Participants of the [**REDACTED**] Equity Incentive Plans prior to the [**REDACTED**], all such Shares will become beneficially held by Ms. Cao and Dr. Chen, and not used for any further grant after the [**REDACTED**]. Accordingly, no new options or awards will be further granted after the [**REDACTED**] pursuant to the [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**] 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 [REDACTED](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. Liu Gang (劉剛)	–	–	4.4693%	–	2.2391%	–	0.7250%	–	–	–	–	–	–	536,085	[0.02]%
Mr. Ge Wei (葛威)	–	–	–	–	–	–	2.3387%	–	–	–	–	–	–	250,000	[0.01]%
Senior management of the Company ***(other than Directors)***															
Mr. Tang Jia (唐佳)	–	–	–	–	5.7782%	–	4.6774%	–	–	–	–	–	–	700,000	[0.03]%
Mr. Liang Wangchun (梁旺春)	–	–	–	–	–	–	9.3549%	–	–	–	–	–	–	1,000,000	[0.04]%
Connected persons of the Company(3)	0.6951%	–	–	–	–	–	6.5484%	–	1.5088%	–	–	–	–	879,630	[0.04]%
Other grantees	72.5236%	31.4232%	53.6626%	58.9033%	61.8374%	–	71.7698%	78.3390%	62.4149%	54.8666%	70.2579%	95.8119%	75.1094%	45,014,241	[1.89]%

* 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 Document, within the two years immediately preceding the date of this Document, 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 [**REDACTED**] or the related transactions described in this Document.

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 March 31, 2024, being the end of the period reported on as set out in the Accountants' Report included in Appendix I to this Document.

Qualifications of Experts

The qualifications of the experts who have given opinions or advice in this Document 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

Save as disclosed in this Document, 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 Document 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 [**REDACTED**] of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into [**REDACTED**].

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 Document, 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 [**REDACTED**]% of the equity interest of the Company immediately upon completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised. Therefore, as at the Latest Practicable Date and upon the completion of the [**REDACTED**], 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$[**REDACTED**] for acting as a sponsor for the [**REDACTED**]. As of the Latest Practicable Date, US$[**REDACTED**] 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—Summary of Articles of Association."

Binding Effect

This Document 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 Document

The English and Chinese language versions of this Document 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 Document:

(a) within the two years preceding the date of this Document:

(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 Document;

(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 sough;

(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 Document 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 "Appendix IV—Statutory and General Information—Further Information about our Business—Summary of Material Contracts"; and

(b) the written consents referred to in "Appendix IV—Statutory and General Information—Other Information—Consents of Experts".

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 Document:

(a) the Articles of Association;

(b) the audited consolidated financial statements of our Group for the three years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2024;

(c) the Accountants' Report from Ernst & Young, the text of which is set out in Appendix I to this Document;

(d) the report from Ernst & Young on the unaudited [**REDACTED**] financial information of our Group, the text of which is set out in Appendix II to this Document;

(e) the material contracts referred to in "Appendix IV—Statutory and General Information—Further Information about our Business—Summary of Material Contracts";

(f) the written consents referred to in "Appendix IV—Statutory and General Information—Other Information—Consents of Experts";

(g) the service contracts and letters of appointment referred to in "Appendix IV—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";

(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 terms of the [**REDACTED**] Equity Incentive Plans; 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.