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 in 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 2022, 2023 and 2024 refer to our financial years ended December 31 of such years.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. You should not place undue reliance on any such statements. Our actual future results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors," "Forward-Looking Statements" and elsewhere in this document.

OVERVIEW

We are a leading global new energy technology company driven by innovation, dedicated to providing all-round energy storage solutions centered around energy storage batteries and systems. Since our establishment, we have remained dedicated to the energy storage sector and steadfastly implemented a globalization strategy. As the only pure-play energy storage company with a GWh-level global shipment volume of lithium-ion ESS batteries, we offer high-quality products and solutions to customers in over 20 countries and regions. We have developed strong research, production, sales and service capabilities in key global markets. In 2024, we are the world's third largest energy storage company in terms of lithium-ion ESS battery shipments according to CIC, underscoring our leadership in the global energy storage industry. In 2024, the shipment volume of our ESS batteries was 35.1GWh, representing a rapid growth from 2022 to 2024 at a CAGR of 167%. For the six months ended June 30, 2024 and 2025, the shipment volume of our ESS batteries was 8.5GWh and 30.0GWh, respectively, representing a period-to-period increase of 252.9%.

We always adhere to a customer-centric approach, providing a series of benchmark energy storage products and solutions tailored to different application scenarios, covering the entire industry chain from ESS batteries to energy storage systems and solutions.

After years of operations, we have achieved rapid growth and remarkable financial performance. Our operating revenue surged from RMB3,614.9 million in 2022 to RMB12,916.8 million in 2024, representing a CAGR of 89.0%. Our gross profit increased significantly from RMB410.3 million in 2022 to RMB1,237.8 million in 2023, and further to RMB2,308.6 million in 2024, with an improved gross profit margin from 11.3% in 2022 to 12.1% in 2023 and further to 17.9% in 2024. We achieved profitability with a net profit of RMB287.6 million in 2024, as compared to net losses of RMB1,776.9 million in 2022 and RMB1,975.0 million in 2023. We recorded adjusted net profit (a non-IFRS measure) of RMB318.0 million in 2024, as compared to adjusted net losses (a non-IFRS measure) of RMB104.6 million in 2022 and RMB225.2 million in 2023. For the six months ended June 30, 2024 and 2025, our operating revenue amounted to RMB2,147.6 million and RMB6,971.2 million, respectively, demonstrating robust period-to-period growth of 224.6%. Our gross profit surged from RMB78.1 million to RMB916.3 million, reflecting a period-to-period growth of 1,073.4%. We achieved a significant turnaround in profitability, recording a net profit of RMB212.8 million for the six months ended June 30, 2025, as compared to a net loss of RMB608.2 million for the six months ended June 30, 2024. Similarly, we recorded adjusted net profit (a non-IFRS measure) of RMB246.6 million for the six months ended June 30, 2025, as compared to adjusted net losses (a non-IFRS measure) of RMB594.9 million for the six months ended June 30, 2024.

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our results of operations and financial condition during the Track Record Period had been primarily affected by the following significant factors affecting the overall industry in which we operate:

- macroeconomic conditions, global energy transformation and the growth of overall energy storage market;
- changes in customer demand for energy storage products;
- government policies, regulations and tariffs for new energy and energy storage products and solutions; and
- continuous investment and innovation in energy storage technology.

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 and Orders and Retain Existing Customers

We generated revenue primarily from sale of our ESS batteries and energy storage systems during the Track Record Period. Since our inception, we have strategically concentrated on the energy storage market. This strategic focus has provided us with a deeper understanding of energy storage applications and customer needs, allowing us to cultivate strong relationships with our customers.

Our products are widely utilized in large-scale new energy storage applications such as power stations and grids, both in China and overseas. By fostering strong sales relationship with new customers, we secure increased purchase orders, which in turn bolsters our sales revenue. We are committed to continuously enhancing the safety, energy efficiency, consistency, lifetime, and cost-effectiveness of our energy storage products to enhance our brand reputation, which helps attract new customers. Moreover, we have been accelerating our presence in global markets, including the United States, Europe and emerging markets such as the Middle East, Africa, Oceania and South America. With enhancing international influence, we expect to collaborate with more customers globally.

Our results of operations also depend on our ability to retain existing customers and secure additional purchase orders from them. By offering a diverse array of high-quality products optimized for various scenarios, we have cultivated a loyal customer base. We also carefully manage our manufacturing plans based on customer orders, allowing us to fulfill customer orders promptly. 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 application of our products in various scenarios, which we believe enhance customer satisfaction with our products, and thus lead to repeat order placements and improved results of operations.

Expansion and Management of Production Capacity and Improvement of Efficiency

Our effective annual production capacity for ESS batteries has increased from approximately 5.4GWh in 2022 to approximately 49.7GWh in 2024. We intend to further increase our overall production capacity in line with our growth strategy. See "Business — Manufacturing — Production Bases." Leveraging our technology-driven factory management capabilities, we have established an optimized and highly efficient manufacturing process and improved staffing efficiency. These improvements contribute to our ability to manage manufacturing costs and improve our profit margins. To accommodate the anticipated increase in customer demand, we intend to continue to expand our manufacturing capacity and upgrade our equipment and manufacturing lines to conserve energy, reduce environmental impact, and improve both manufacturing efficiency and product quality. We believe that these production capacity management and expansion measures effectively enable us to deliver higher quality products, generate increased revenue, while optimizing our costs and profit margin.

Our Ability to Manage Our Costs and Improve Operational Efficiency

Our profitability depends partly on our ability to effectively manage and optimize our costs and operating expenses. For example, the prices of key raw materials such as lithium iron phosphate, graphite, electrolytes, separators, copper foils and aluminum foils have a significant impact on our results of operations. Moreover, as a percentage of our total revenue, our operating expenses, which include selling and marketing expenses, administrative expenses, and R&D expenses, decreased from 25.5% in 2022 to 14.1% in 2023, and further decreased to 12.6% in 2024, respectively. For the six months ended June 30, 2024 and 2025, our operating expenses as a percentage of total revenue decreased from 34.3% to 13.6%, respectively, demonstrating continued operational efficiency enhancement. We expect the absolute amounts of our selling and marketing expenses, administrative expenses as well as R&D expenses will continue to increase along our business growth in the future, but to decrease as percentages of our total revenue. As we expand the scale and scope of our business, we expect to benefit from various economies of scale to improve our operational efficiency. Furthermore, we are dedicated to comprehensive development in digitization and intelligence. Following our strategies to make continuous investment in technology and R&D, we will accelerate the application of intelligent technologies in our business operations, R&D, products, and manufacturing to enhance our operational capabilities and product efficiency.

Investment in R&D and Expansion of Product Portfolio

Our product portfolio primarily consists of ESS batteries and energy storage systems, at the heart of which are our ESS batteries and its underlying LFP cell technology. We have built core technological advantages and forward-looking R&D capabilities across the entire industry chain, including material development, battery production, system integration and battery recycling. Our investment in R&D not only enables us to develop our battery technologies that improve the safety, energy efficiency, consistency, lifetime, and cost-effectiveness of our energy storage products, but also enables us to launch new products that cater to a wider range of scenarios, such as long-lifetime sodium-ion battery, ultra-low temperature sodium-ion battery. We believe our R&D strategy positions us to address a broader spectrum of market demands, expand our sales, and effectively compete against our competitors, which we believe positively affect our results of operations and financial condition.

BASIS OF PRESENTATION

Our financial statements have been prepared and presented in accordance with International Financial Reporting Standards (the "IFRSs"), which comprise all standards, amendments and related interpretations approved by the International Accounting Standards Board. All IFRSs effective for the Track Record Period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by us in the preparation of the financial statement throughout the Track Record Period. See note 2 to the Accountants' Report included in Appendix I of the Document.

MATERIAL ACCOUNTING POLICY INFORMATION AND KEY SOURCES OF ESTIMATION UNCERTAINTY

See note 3 and note 4 to the Accountants' Report included in Appendix I of the Document for details on our material accounting policy information and key sources of estimation uncertainty.

Revenue

Revenue represents the amounts received and receivable from the sales of ESS batteries, energy storage systems, materials and others, net of sales related taxes, during the Track Record Period.

Sales of ESS Batteries, Energy Storage Systems and Related Services

Our Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Revenue arising from sales of ESS batteries and energy storage systems is recognized at a point in time when the goods are generally accepted by the customers, and revenue arising from services is recognized upon completion of the relevant services, since only by that time our Group passes control of the goods or services to the customers. Transportation and handling activities that occur before customers obtain control are considered as fulfilment activities.

Customers are generally required to make certain portion of prepayments before our Group deliver the products. Contract liabilities are recognized when consideration is received in which revenue has yet been recognized.

Materials and Others

For sales of materials and others, revenue is recognized at a point in time upon customers' acceptance of the delivered goods.

Property, Plant, and Equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than freehold lands and construction in progress as described below). Property, plant and equipment (other than construction in progress and freehold lands) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with our Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets other than construction in progress and freehold lands less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Right-of-use Assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by our Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Our Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Trade Receivables

For trade receivables, our Group has applied the simplified approach in IFRS 9 to measure the impairment loss allowance at lifetime ECL. Our Group determines the ECL collectively by using a provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Our Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

In order to minimize credit risk, our Group has tasked its operation management committee to develop and maintain our Group's credit risk gradings to categorize exposures according to their degree of risk of default.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which our Group must incur to make the sale.

Share-based Payments

Equity-settled Share-based Payment Transactions

Shares Granted to Employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on our Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, our Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. When share options are exercised, the amount previously recognized in share-based payments reserve will be transferred to capital and other reserves. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserve will continue to be held in share-based payments reserve.

Government Grants

Government grants are not recognized until there is reasonable assurance that our Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which our Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that our Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to our Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss for the year/period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2022	2023	2024	2024	2025
	(RMB in thousands)				
				(unaudited)	
Revenue	3,614,889	10,201,828	12,916,757	2,147,566	6,971,212
Cost of sales	(3,204,600)	(8,963,982)	(10,608,197)	(2,069,475)	(6,054,873)
Gross profit	410,289	1,237,846	2,308,560	78,091	916,339
Other income	23,789	243,094	502,869	163,461	407,709
Other gains and losses	(1,291,450)	(1,718,250)	21,022	15,666	3,335
Selling and marketing expenses	(70,343)	(240,363)	(303,222)	(142,414)	(190,021)
Administrative expenses	(653,213)	(710,315)	(789,826)	(327,842)	(489,095)
Research and development expenses	(197,367)	(484,915)	(530,038)	(265,622)	(271,400)
Impairment losses under expected credit loss ("ECL") model, net of reversal	517	(171,242)	(532,314)	(89,017)	(28,907)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Share of results of associates	1,898	(3,248)	(20,207)	(5,769)	765
Finance costs	(64,733)	(206,444)	(335,740)	(165,242)	(188,971)
(LOSS) PROFIT BEFORE TAX	(1,840,613)	(2,053,837)	314,342	(738,688)	152,083
Income tax credit (expense)	63,754	78,838	(26,699)	130,514	60,684
(LOSS) PROFIT FOR THE YEAR/PERIOD	**(1,776,859)**	**(1,974,999)**	**287,643**	**(608,174)**	**212,767**
Attributable to:					
Owners of the Company	(1,769,785)	(1,962,602)	258,536	(587,156)	212,110
Non-controlling interests	(7,074)	(12,397)	29,107	(21,018)	657
	(1,776,859)	**(1,974,999)**	**287,643**	**(608,174)**	**212,767**

Non-IFRS Financial Measures

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 adjusted net (loss)/profit (a non-IFRS measure) and adjusted EBITDA (a non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these measures facilitate comparisons of operating performance from period to period and company to company by eliminating the potential impact of certain items. We believe that these measures provide useful information to [**REDACTED**] and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, the use of the non-IFRS measures 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 measures 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 adjusted net (loss)/profit (a non-IFRS measure) as (loss)/profit for the year/period adjusted by adding back fair value loss on puttable shares liabilities, share-based compensation expense and [**REDACTED**]. Our management considers that the puttable shares liabilities had been terminated in 2023 and no further fair value change on this will be recognized. In addition, share-based compensation expense is non-cash in nature and do not result in cash outflow. We also exclude [**REDACTED**] which are related to this [**REDACTED**].

We define adjusted EBITDA (a non-IFRS measure) as adjusted (loss)/profit for the year/period adjusted by adding back income tax (credit)/expense, finance costs, interest income and depreciation and amortization.

The following table sets forth a reconciliation of our adjusted net (loss)/profit (a non-IFRS measure) and adjusted EBITDA (a non-IFRS measure) for 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025 to the nearest measures prepared in accordance with IFRS.

	For the year ended December 31,			For the six months ended June 30,	
	2022	2023	2024	2024	2025
	(RMB in thousands)				
				(unaudited)	
(Loss) profit for the year/period	**(1,776,859)**	**(1,974,999)**	**287,643**	**(608,174)**	**212,767**
Add:					
Fair value loss on puttable shares liabilities	1,290,461	1,715,798	–	–	–
Share-based compensation expense	381,811	33,989	23,591	13,265	26,122
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net (loss) profit (a non-IFRS measure)	**(104,587)**	**(225,212)**	**317,996**	**(594,909)**	**246,560**
Add:					
Income tax (credit) expense	(63,754)	(78,838)	26,699	(130,514)	(60,684)
Finance costs	64,733	206,444	335,740	165,242	188,971
Interest income	(11,250)	(81,526)	(76,069)	(39,925)	(58,291)
Depreciation and amortization	84,971	340,325	650,764	204,820	340,702
Adjusted EBITDA (a non-IFRS measure)	**(29,887)**	**161,193**	**1,255,130**	**(395,286)**	**657,258**

Revenue

Revenue by Product Type

The following table sets forth a breakdown of our revenue by product type, in absolute amounts and as percentages of total revenue for the year/period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)									
							(unaudited)			
ESS batteries[1]	2,538,320	70.2	7,957,162	78.0	7,960,613	61.6	1,871,585	87.1	5,449,273	78.2
Energy storage systems	909,493	25.2	1,973,217	19.3	4,670,503	36.2	168,704	7.9	1,279,217	18.3
Materials and others[2]	167,076	4.6	271,449	2.7	285,641	2.2	107,277	5.0	242,722	3.5
Total	**3,614,889**	**100.0**	**10,201,828**	**100.0**	**12,916,757**	**100.0**	**2,147,566**	**100.0**	**6,971,212**	**100.0**

Notes:

(1) During the Track Record Period, substantially all of our revenues from ESS batteries were generated from lithium-ion batteries. We have introduced our sodium-ion ESS batteries and achieved mass production in the second half of 2025.

(2) Revenue of materials and others mainly include revenue from sales of materials related to ESS batteries.

During the Track Record Period, the growth of revenue from our ESS batteries from RMB2,538.3 million in 2022 to RMB7,957.2 million in 2023 was primarily due to our increased sales volume of ESS batteries, mainly attributable to (i) the increase in demand for our ESS batteries and our continued efforts in marketing and promoting our products, and (ii) the increased production volume of our ESS batteries with the expansion of production capacity which has been ramping up. Our revenue from our ESS batteries remained relatively stable from RMB7,957.2 million in 2023 to RMB7,960.6 million in 2024, primarily due to the increased sales volume of our ESS batteries, which was partially offset by the decrease in average selling price of ESS batteries due to a decrease in raw material prices. Our revenue from our ESS batteries increased from RMB1,871.6 million for the six months ended June 30, 2024 to RMB5,449.3 million for the six months ended June 30, 2025, primarily due to our increased sales volume of ESS batteries, mainly attributable to our technological advantages and well-established sales network, driving a significant increase in our sales volumes.

Our revenue generated from our energy storage systems increased from RMB909.5 million in 2022 to RMB1,973.2 million in 2023, primarily due to an increase in our sales volume of our energy storage systems, mainly attributable to the increase in demand for our energy storage systems and our continued efforts in marketing and promoting our products. Our revenue from our energy storage systems further increased to RMB4,670.5 million in 2024, primarily due to an increase in our sales volume of our energy storage systems, which was primarily attributable to a significant increase of sales of energy storage systems overseas as we further expanded into such markets. Our revenue from our energy storage systems increased from RMB168.7 million for the six months ended June 30, 2024 to RMB1,279.2 million for the six months ended June 30, 2025, primarily due to the increase in sales in the Americas and Europe with our continuous overseas expansion efforts.

Revenue by Region

The following table sets forth the breakdown of our revenue by geographic region, in absolute amounts and as percentages of total revenue for the year/period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except percentages)									
							(unaudited)			
Mainland China	3,614,856	100.0	10,100,713	99.0	9,216,616	71.4	2,076,889	96.7	5,750,262	82.5
The United States	17	0.0	537	0.0	3,385,597	26.2	6	0.0	821,119	11.8
Others [(1)]	16	0.0	100,578	1.0	314,544	2.4	70,671	3.3	399,831	5.7
Total	**3,614,889**	**100.0**	**10,201,828**	**100.0**	**12,916,757**	**100.0**	**2,147,566**	**100.0**	**6,971,212**	**100.0**

Note:

(1) Other overseas markets primarily include Europe, the Middle East, Africa and Australia.

The increase of our revenue from mainland China from RMB3,614.9 million in 2022 to RMB10,100.7 million in 2023 was mainly due to increased revenue from sales of ESS batteries, primarily due to (i) the increase in demand for our products and our continued efforts in marketing and promoting our products, and (ii) the increased production volume of our products with the expansion of production capacity as our production has been ramping up. The decrease in our revenue from mainland China from RMB10,100.7 million in 2023 to RMB9,216.6 million in 2024, despite that we recorded an increase in sales volume, was primarily due to a reduced average selling price as a result of a decline in raw material prices and in response to market competition. The increase of our revenue from mainland China from RMB2,076.9 million for the six months ended June 30, 2024 to RMB5,750.3 million for the six months ended June 30, 2025 was mainly due to increased demand for and sales of our products driven by our technological advantages and well-established sales network.

Our revenue from overseas increased from RMB33 thousand in 2022 to RMB101.1 million in 2023, and further increased to RMB3,700.1 million in 2024, primarily due to the significant increase of our sales overseas which was primarily attributable to sales of energy storage systems in the United States and Europe in 2023 and 2024. Our revenue from overseas increased from RMB70.7 million for the six months ended June 30, 2024 to RMB1,221.0 million for the six months ended June 30, 2025, primarily due to the increase of our sales overseas which was primarily attributable to (i) the rapid growth in global energy storage system demand; (ii) our accelerated international business expansion efforts resulting in increased overseas sales orders; and (iii) our ability to capitalize on market opportunities through our technological advantages and well-established sales network.

Sales Volume and Average Selling Price

The following tables set forth the breakdown of our sales volumes and average selling prices (net of tax) by product type for the year/period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2022	2023	2024	2024	2025
			(GWh)		
Sales Volume					
ESS batteries					
China	3.3	15.6	28.3	5.9	22.9
Overseas	NM(1)	NM(1)	NM(1)	NM(1)	NM(1)
Energy storage systems					
China	1.0	2.1	1.5	0.1	0.1
Overseas	–	0.1	3.8	0.1	1.6

	For the year ended December 31,			For the six months ended June 30,	
	2022	2023	2024	2024	2025
			(RMB/Wh)		
Average Selling Price					
ESS batteries					
China	0.77	0.51	0.28	0.32	0.24
Overseas	NM(1)	NM(1)	NM(1)	NM(1)	NM(1)
Energy storage systems					
China	0.92	0.91	0.62	0.71	0.47
Overseas	–	0.88	0.97	1.04	0.77

Note:

(1) In each period during the Track Record Period, the sales volume of our ESS batteries in overseas markets accounted for less than 0.2% of the total sales volume our ESS batteries. Therefore, the sales volume and average selling price of ESS batteries in overseas during the Track Record Period are not meaningful.

Our sales volumes of both ESS batteries and energy storage systems increased rapidly as a result of our continuous business expansion efforts and the increase in our production volume. The average selling price of ESS batteries declined during the Track Record Period, primarily due to a decline in raw material prices and in response to market competition. The average selling price of energy storage systems remained relatively stable from 2022 to 2024, as our energy storage systems are primarily sold in overseas markets with strong demands. The average selling price of energy storage systems decreased slightly from RMB0.87/Wh in 2024 to RMB0.74/Wh for the six months ended June 30, 2025, primarily due to the increased proportion of sales in Asia and Europe, which typically featured relatively lower unit prices compared to Americas in the relevant periods.

Cost of Sales

Cost of Sales by Nature

Our cost of sales consists of (i) material cost for battery production, primarily including lithium iron phosphate, graphite, electrolytes, separators, copper foils and aluminum foils, (ii) manufacturing cost, (iii) direct labor cost, and (iv) others.

The following table sets forth a breakdown of our cost of sales by nature, in absolute amounts and as percentages of total cost of sales, for the year/period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)									
							(unaudited)			
Material cost	2,630,250	82.1	7,111,340	79.3	8,169,080	77.0	1,506,530	72.8	4,843,104	80.0
Manufacturing cost	290,473	9.1	1,058,272	11.8	1,110,913	10.5	266,936	12.9	539,452	8.9
Direct labor cost	69,506	2.2	192,219	2.1	228,079	2.2	60,464	2.9	121,612	2.0
Others[1]	214,371	6.6	602,151	6.8	1,100,125	10.3	235,545	11.4	550,705	9.1
Total	**3,204,600**	**100.0**	**8,963,982**	**100.0**	**10,608,197**	**100.0**	**2,069,475**	**100.0**	**6,054,873**	**100.0**

Note:

(1) Others mainly include contractual performance cost and warranty cost.

Our cost of sales increased significantly from RMB3,204.6 million in 2022 to RMB8,964.0 million in 2023, and further increased to RMB10,608.2 in 2024, and increased significantly from RMB2,069.5 million for the six months ended June 30, 2024 to RMB6,054.9 million for the six months ended June 30, 2025 primarily due to the increase in materials cost. Our material cost remained the largest component of our cost of sales throughout the Track Record Period, accounting for 82.1%, 79.3%, 77.0%, 72.8% and 80.0% of our total cost of sales in 2022, 2023 and 2024 and for the six months ended June 30, 2024 and 2025, respectively. Material cost increased from RMB2,630.3 million in 2022 to RMB7,111.3 million in 2023, and further increased to RMB8,169.1 million in 2024, and increased significantly from RMB1,506.5 million for the six months ended June 30, 2024 to RMB4,843.1 million for the six months ended June 30, 2025, primarily due to the increased sales volume, which was partially offset by a decrease in raw material prices.

Cost of Sales by Product Type

The following table sets forth a breakdown of our cost of sales by product type in line with revenue source, both in absolute amounts and as percentages of our total cost of sales, for the year/period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)									
							(unaudited)			
ESS batteries	2,266,038	70.7	6,963,893	77.7	7,241,355	68.3	1,811,265	87.5	4,922,644	81.3
Energy storage systems	773,057	24.1	1,712,025	19.1	3,096,784	29.2	149,843	7.2	899,169	14.9
Materials and others[(1)]	165,505	5.2	288,064	3.2	270,058	2.5	108,367	5.3	233,060	3.8
Total	**3,204,600**	**100.0**	**8,963,982**	**100.0**	**10,608,197**	**100.0**	**2,069,475**	**100.0**	**6,054,873**	**100.0**

Note:

(1) Materials and others mainly include materials related to ESS batteries.

Our cost of sales increased significantly from RMB3,204.6 million in 2022 to RMB8,964.0 million in 2023, and further increased to RMB10,608.2 in 2024, and our cost of sales increased from RMB2,069.5 million for the six months ended June 30, 2024 to RMB6,054.9 million for the six months ended June 30, 2025. These increases were in line with our increased sales volume of ESS batteries and energy storage systems.

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 for the year/period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	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
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)									
							(unaudited)			
ESS batteries	272,282	10.7	993,269	12.5	719,258	9.0	60,319	3.2	526,629	9.7
Energy storage systems	136,436	15.0	261,192	13.2	1,573,719	33.7	18,862	11.2	380,048	29.7
Materials and others[(1)]	1,571	0.9	(16,615)	(6.1)	15,583	5.5	(1,090)	(1.0)	9,662	4.0
Total/Overall	**410,289**	**11.3**	**1,237,846**	**12.1**	**2,308,560**	**17.9**	**78,091**	**3.6**	**916,339**	**13.1**

Note:

(1) Materials and others mainly include materials related to ESS batteries. We recorded gross loss of materials and others for the year ended December 31, 2023 with a negative gross margin of 6.1%, primarily due to the decreased sales prices of materials related to ESS batteries compared to its purchase price as a result of the fluctuation of the prices of raw materials during the year. We recorded gross loss of materials and others for the six months ended June 30, 2024 with a negative gross margin of 1.0%, primarily due to fluctuations in raw material prices.

Our gross profit increased from RMB410.3 million in 2022 to RMB1,237.8 million in 2023, primarily due to a significant increase of gross profit from our ESS batteries from RMB272.3 million in 2022 to RMB993.3 million in 2023, as well as the increase of gross profit from energy storage systems from RMB136.4 million in 2022 to RMB261.2 million in 2023. The increase of gross profit was in line with the significant increase in our revenue from sales of ESS batteries and energy storage systems. Our overall gross profit margin increased from 11.3% in 2022 to 12.1% in 2023, primarily attributable to an increase in gross profit margin of ESS batteries from 10.7% in 2022 to 12.5% in 2023. The increase of gross profit margin of ESS batteries was primarily because we achieved improved economies of scale with the expansion of our production capacity, and we established a further optimized and highly efficient manufacturing process to improve manufacturing efficiency.

Our gross profit increased from RMB1,237.8 million in 2023 to RMB2,308.6 million in 2024, primarily due to a significant increase of gross profit generated from energy storage systems from RMB261.2 million in 2023 to RMB1,573.7 million in 2024. The increase of gross profit of energy storage systems was primarily due to an increase in our revenue from energy storage systems. Our overall gross profit margin increased from 12.1% in 2023 to 17.9% in 2024, primarily attributable to an increase in gross profit margin of energy storage systems from 13.2% in 2023 to 33.7% in 2024. The increase of gross profit margin was primarily due to the increased sales of energy storage systems overseas in 2024 which entailed comparatively higher gross profit margin.

Our gross profit increased from RMB78.1 million for the six months ended June 30, 2024 to RMB916.3 million for the six months ended June 30, 2025, primarily due to an increase of gross profit from our ESS batteries from RMB60.3 million for the six months ended June 30, 2024 to RMB526.6 million for the six months ended June 30, 2025, as well as the increase of gross profit from energy storage systems from RMB18.9 million for the six months ended June 30, 2024 to RMB380.0 million for the six months ended June 30, 2025. The increase of gross profit was in line with the increase in our revenue from sales of ESS batteries and energy storage systems. Our overall gross profit margin increased from 3.6% for the six months ended June 30, 2024 to 13.1% for the six months ended June 30, 2025, primarily attributable to (i) an increase in gross profit margin of energy storage systems from 11.2% to 29.7%, driven by the growth in our overseas sales volume of energy storage systems from 0.1GWh to 1.6GWh, which commanded higher gross profit margins compared to domestic sales; and (ii) an increase in gross profit margin of ESS batteries from 3.2% to 9.7%, recovering from the lower margin in the first half of 2024 which reflected (a) lower capacity utilization rates for certain production lines, including those in capacity ramp-up phase, which resulted in higher unit costs due to the allocation of fixed depreciation and amortization expenses; and (b) the relatively pronounced impact of inventory write-downs on gross margin given the relatively small revenue base in the first half of 2024.

The following table sets forth a breakdown of our gross profit and gross profit margin by geographic region for the year/period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	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
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)									
							(unaudited)			
Mainland China	410,276	11.3	1,205,619	11.9	744,752	8.1	53,563	2.6	544,273	9.5
The United States	8.9	52.4	15	2.8	1,456,296	43.0	0[2]	1.7	299,664	36.5
Others[1]	4.1	25.6	32,212	32.0	107,512	34.2	24,528	34.7	72,402	18.1
Total/Overall	**410,289**	**11.3**	**1,237,846**	**12.1**	**2,308,560**	**17.9**	**78,091**	**3.6**	**916,339**	**13.1**

Note:

(1) Other overseas markets primarily include Europe, the Middle East, Africa and Australia.

(2) Represents amount less than RMB500.

For the years ended December 31, 2022, 2023 and 2024, our gross profit margin for overseas sales was 39.4% in 2022, 31.9% in 2023, 42.3% in 2024, and 34.7% and 30.5% for the six months ended June 30, 2024 and 2025, respectively, as compared to our gross profit margin for sales in mainland China of 11.3% in 2022, 11.9% in 2023, 8.1% in 2024, and 2.6% and 9.5% for the six months ended June 30, 2024 and 2025, respectively. The lower domestic margin for the six months ended June 30, 2024 was primarily due to lower capacity utilization rates for certain production lines, including those in capacity ramp-up phase. The difference between our gross profit margins in overseas and domestic markets was primarily because (i) we mainly sold energy storage systems with a higher average selling price in overseas market, and (ii) the sales volume of energy storage systems increased driven by the strong demands in overseas markets for energy storage products, enabling us to achieve higher profit margins. According to CIC, the difference between our gross profit margins in China and overseas is consistent with industry norm.

Other Income

Our other income consists of (i) interest income, (ii) government grants primarily for our manufacturing and R&D activities, (iii) extra deduction of VAT, and (iv) others.

The following table sets forth a breakdown of our other income, in absolute amount and as a percentage of our total other income, for the year/period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)									
							(unaudited)			
Interest income from banks and other financial assets at amortized cost	11,250	47.3	81,526	33.5	76,069	15.2	39,925	24.4	58,291	14.3
Government grants	11,243	47.3	100,972	41.5	414,051	82.3	120,345	73.6	333,972	81.9
Extra deduction of value-added-tax ("VAT")[1]	–	–	51,689	21.3	10,269	2.0	1,530	0.9	14,151	3.5
Others	1,296	5.4	8,907	3.7	2,480	0.5	1,661	1.1	1,295	0.3
Total	**23,789**	**100.0**	**243,094**	**100.0**	**502,869**	**100.0**	**163,461**	**100.0**	**407,709**	**100.0**

Note:

(1) According to the State Taxation Administration of the PRC, from January 1, 2023 to December 31, 2027, advanced manufacturing enterprises are allowed to deduct an additional 5% of the deductible input tax from the VAT payable.

Other Gains and Losses

Our other gains and losses consist of (i) fair value loss on puttable shares liabilities related to shares held by our [**REDACTED**] Investors, (ii) fair value loss on derivative financial liabilities, (iii) fair value gain on financial assets at FVTPL, (iv) gain (loss) on disposal of property, plant and equipment, (v) net foreign exchange losses, (vi) loss on discounting receivables at FVTOCI, and (vii) others.

The following table sets forth a breakdown of our other gains and losses by nature, in absolute amounts, for the year/period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2022	2023	2024	2024	2025
	(RMB in thousands)				
				(unaudited)	
Fair value loss on puttable shares liabilities	(1,290,461)	(1,715,798)	–	–	–
Fair value (loss)/gain on derivative financial liabilities	–	–	(4,511)	–	2,139
Fair value gain on financial assets at FVTPL	5	13,628	35,372	17,770	11,894
Gain (loss) on disposal of property, plant and equipment	267	(3,129)	2,869	1,810	123
Net foreign exchange losses	(717)	(3,334)	(4,421)	(620)	(1,707)
Loss on discounting receivables at FVTOCI	–	(8,460)	(6,629)	(2,476)	(8,622)
Others	(544)	(1,157)	(1,658)	(818)	(492)
Total	**(1,291,450)**	**(1,718,250)**	**21,022**	**15,666**	**3,335**

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) staff costs in relation with the salaries, compensation and other costs from our sales and marketing staff, (ii) marketing expenses associated with our advertising and branding activities, (iii) travel expenses, (iv) business development expenses, (v) depreciation and amortization, and (vi) others, which primarily include office expenses, transportation expenses and insurance expenses, etc.

The following table sets forth a breakdown of our selling and marketing expenses by nature, in absolute amounts and as percentages of total selling and marketing expenses, for the year/period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)									
							(unaudited)			
Staff costs	33,756	48.0	97,878	40.7	141,721	46.7	77,147	54.2	95,656	50.3
Marketing expenses	20,839	29.6	79,953	33.3	78,778	26.0	24,468	17.2	31,483	16.6
Travel expenses	4,915	7.0	31,285	13.0	36,433	12.0	20,317	14.3	18,156	9.6
Business development expenses	4,849	6.9	13,441	5.6	15,636	5.2	6,775	4.7	9,164	4.8
Depreciation and amortization	689	1.0	3,199	1.3	3,532	1.2	566	0.4	4,685	2.5
Others	5,295	7.5	14,607	6.1	27,122	8.9	13,141	9.2	30,877	16.2
Total	**70,343**	**100.0**	**240,363**	**100.0**	**303,222**	**100.0**	**142,414**	**100.0**	**190,021**	**100.0**

Administrative Expenses

Our administrative expenses primarily consist of (i) share-based payment, (ii) staff costs in relation with the salaries, compensation and other costs from our administrative staff, (iii) office expenses, (iv) warehousing and transportation expenses, (v) consulting service expenses, (vi) depreciation and amortization, (vii) travel expenses, (viii) taxes and surcharges, and (ix) others.

The following table sets forth a breakdown of our administrative expenses by nature, in absolute amounts and as percentages of total administrative expenses, for the year/period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)									
							(unaudited)			
Share-based payment	381,811	58.4	33,989	4.8	23,591	3.0	13,265	4.0	26,122	5.4
Staff costs	140,357	21.5	382,237	53.8	333,084	42.2	141,916	43.3	206,078	42.1
Office expenses	24,032	3.7	52,306	7.4	42,583	5.4	23,161	7.1	12,143	2.5
Warehousing and transportation expenses	18,365	2.8	74,330	10.5	79,315	10.0	31,026	9.5	29,320	6.0
Consulting service expenses	15,376	2.4	20,392	2.9	54,889	7.0	17,813	5.4	49,027	10.0
Depreciation and amortization	11,111	1.7	52,363	7.4	96,527	12.2	44,536	13.6	72,841	14.9
Travel expenses	9,960	1.5	23,499	3.3	37,879	4.8	13,473	4.1	22,059	4.5
Taxes and surcharges	8,343	1.3	24,580	3.4	49,807	6.3	20,796	6.3	27,989	5.7
Others	43,858	6.7	46,619	6.5	72,151	9.1	21,856	6.7	43,516	8.9
Total	**653,213**	**100.0**	**710,315**	**100.0**	**789,826**	**100.0**	**327,842**	**100.0**	**489,095**	**100.0**

Research and Development Expenses

Our research and development expenses primarily consist of (i) staff costs in relation with the salaries, compensation and other costs from our R&D staff, (ii) materials consumed, (iii) depreciation and amortization of our fixed assets and right-of-use assets, (iv) testing expenses, (v) utilities, and (vi) others.

The following table sets forth a breakdown of our research and development expenses by nature, in absolute amounts and as percentages of total research and development expenses, for the year/period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2022		2023		2024		2024		2025	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
	(RMB in thousands, except for percentages)									
							(unaudited)			
Staff costs	84,954	43.0	210,080	43.3	264,538	49.9	137,341	51.7	124,093	45.7
Materials consumed	38,414	19.5	85,660	17.7	36,973	7.0	14,776	5.6	37,038	13.6
Depreciation and amortization	24,090	12.2	68,925	14.2	104,991	19.8	54,347	20.5	46,013	17.0
Testing expenses	14,466	7.3	23,536	4.9	23,163	4.4	8,508	3.2	15,706	5.8
Utilities	13,393	6.8	53,195	11.0	46,841	8.8	23,514	8.9	21,342	7.9
Others	22,050	11.2	43,519	8.9	53,532	10.1	27,136	10.1	27,208	10.0
Total	**197,367**	**100.0**	**484,915**	**100.0**	**530,038**	**100.0**	**265,622**	**100.0**	**271,400**	**100.0**

Impairment Losses under Expected Credit Loss Model

We record net reversal of impairment losses under expected credit loss ("ECL") model of RMB0.5 million in 2022, and impairment losses under ECL model, net of reversal, of RMB171.2 million, RMB532.3 million, RMB89.0 million and RMB28.9 million in 2023 and 2024 and for the six months ended June 30, 2024 and 2025, respectively. The change mainly related to the increase in our trade and other receivables. See "— Discussion of Key Balance Sheet Items — Trade, Bills and Other Receivables."

Share of Results of Associates

Our share of results of associates represents the profits and losses from long-term investments in our associates. During the Track Record Period, we recorded share of profits of associates of RMB1.9 million and RMB0.8 million in 2022 and for the six months ended June 30, 2025, and share of losses of associates of RMB3.2 million, RMB20.2 million and RMB5.8 million in 2023 and 2024 and for the six months ended June 30, 2024, respectively.

Finance Costs

Our finance costs consist of (i) interest on lease liabilities, (ii) interest on discounting bills receivables, and (iii) interest on bank and other borrowings.

The following table sets forth a breakdown of our finance costs for the year/period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2022	2023	2024	2024	2025
	(RMB in thousands)				
				(unaudited)	
Interest on lease liabilities	1,391	3,212	3,559	1,616	3,528
Interest on discounting bills receivables	–	41	587	289	1,127
Interest on bank and other borrowings	71,879	243,450	342,238	169,044	191,176
Total borrowing costs	**73,270**	**246,703**	**346,384**	**170,949**	**195,831**
Less: Amounts capitalized in the cost of qualifying assets(1)	(8,537)	(40,259)	(10,644)	(5,707)	(6,860)
Total	**64,733**	**206,444**	**335,740**	**165,242**	**188,971**

Note:

(1) During the years ended December 31, 2022, 2023 and 2024 and the six months ended June 30, 2024 and 2025, borrowing cost arose on certain bank borrowings were capitalized to expenditure on construction in progress at a weighted average rate of 3.42%, 4.08%, 4.01%, 4.18% and 3.70%, respectively.

Income Tax Credit/(Expense)

In 2022, 2023 and for the six months ended June 30, 2024 and 2025, we recorded income tax credit of RMB63.8 million, RMB78.8 million, RMB130.5 million and RMB60.7 million, respectively. In 2024, we recorded income tax expense of RMB26.7 million.

(Loss)/Profit for the Year/Period

In 2022 and 2023, we recorded net loss of RMB1,776.9 million and RMB1,975.0 million, respectively which was mainly attributable to the significant amount of fair value loss on puttable shares liabilities of RMB1,290.5 million and RMB1,715.8 million for the same years, respectively. We recorded net loss of RMB608.2 million for the six months ended June 30, 2024, and net profit of RMB287.6 million and RMB212.8 million in 2024 and for the six months ended June 30, 2025.

TAXATION

We and our subsidiaries in China are generally subject to a general PRC enterprise income tax ("**EIT**") rate of at the statutory rate of 25%. Our Company and three of our PRC subsidiaries are qualified as High New Tech Enterprise in 2022, 2023 and 2024 (with two subsidiaries qualified in 2024), respectively, and are entitled to a preferential income tax rate of 15% for a period of three years from 2022 to 2024, from 2023 to 2025 and from 2024 to 2026 (with two subsidiaries covered from 2024 to 2026), respectively. As of the Latest Practicable Date, our Company is applying for renewal of the High New Tech Enterprise certification and the renewal procedures is in progress. Our other PRC subsidiaries are subjected to PRC EIT rate of 25% during the Track Record Period. As of the Latest Practicable Date, we had not had any material dispute with any tax authority.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATION

Six Months Ended June 30, 2025 Compared with Six Months Ended June 30, 2024

Revenue

Our revenue increased by 224.6% from RMB2,147.6 million for the six months ended June 30, 2024 to RMB6,971.2 million for the six months ended June 30, 2025, primarily due to the growth in revenue from both ESS batteries and energy storage systems.

ESS Batteries

Our revenue generated from our ESS batteries increased by 191.2% from RMB1,871.6 million for the six months ended June 30, 2024 to RMB5,449.3 million for the six months ended June 30, 2025, primarily due to the increased sales volume of our ESS batteries from 5.9 GWh for the six months ended June 30, 2024 to 22.9 GWh for the six months ended June 30, 2025, mainly attributable to our technological advantages and well-established sales network, driving a significant increase in our sales volumes; partially offset by the decrease in average selling price of ESS batteries from RMB0.32/Wh to RMB0.24/Wh primarily due to a decrease in raw material prices and in response to market competition.

Energy Storage Systems

Our revenue generated from sales of energy storage systems increased significantly by 658.3% from RMB168.7 million for the six months ended June 30, 2024 to RMB1,279.2 million for the six months ended June 30, 2025, primarily due to an increase in our sales volume of our energy storage systems from 0.21 GWh for the six months ended June 30, 2024 to 1.72 GWh for the six months ended June 30, 2025, which was primarily attributable to (i) the rapid growth of global energy storage installations; (ii) our accelerated international business expansion efforts resulting in increased overseas sales orders; and (iii) our ability to capitalize on market opportunities through our technological advantages and well-established sales network.

Cost of Sales

Our cost of sales increased by 192.6% from RMB2,069.5 million for the six months ended June 30, 2024 to RMB6,054.9 million for the six months ended June 30, 2025, primarily due to an increase in material costs as a result of a significant increase in sales volume of our energy storage products.

ESS Batteries

Our cost of sales of ESS batteries increased by 171.8% from RMB1,811.3 million for the six months ended June 30, 2024 to RMB4,922.6 million for the six months ended June 30, 2025, primarily due to (i) an increase in material cost for producing ESS batteries, and (ii) an increase in manufacturing cost, both driven by the increased sales of our ESS batteries.

Energy Storage Systems

Our cost of sales of energy storage systems increased significantly by 500.1% from RMB149.8 million for the six months ended June 30, 2024 to RMB899.2 million for the six months ended June 30, 2025, primarily due to (i) an increase in material cost for producing ESS storage systems, and (ii) an increase in manufacturing cost, both driven by the increased sales of our energy storage systems.

Gross Profit and Gross Profit Margin

As a result of the above, our gross profit increased by 1,073.4% from RMB78.1 million for the six months ended June 30, 2024 to RMB916.3 million for the six months ended June 30, 2025 and our gross profit margin increased from 3.6% for the six months ended June 30, 2024 to 13.1% for the six months ended June 30, 2025.

Our gross profit generated from ESS batteries increased significantly by 773.1% from RMB60.3 million for the six months ended June 30, 2024 to RMB526.6 million for the six months ended June 30, 2025. Our gross profit margin of ESS batteries increased from 3.2% for the six months ended June 30, 2024 to 9.7% for the six months ended June 30, 2025. The lower gross profit margin for the six months ended June 30, 2024 was primarily due to (i) lower capacity utilization rates for certain production lines, including those in capacity ramp-up phase, which resulted in higher unit costs due to the allocation of fixed depreciation and amortization expenses; and (ii) the relatively pronounced impact of inventory write-downs on gross margin given the relatively small revenue base in the first half of 2024.

Our gross profit generated from energy storage systems increased significantly by 1,914.9% from RMB18.9 million for the six months ended June 30, 2024 to RMB380.0 million for the six months ended June 30, 2025. Our gross profit margin of energy storage systems increased from 11.2% for the six months ended June 30, 2024 to 29.7% for the six months ended June 30, 2025, primarily due to the increased sales of energy storage systems overseas from 0.1GWh to 1.6 GWh, which entailed comparatively higher gross profit margin.

Other Income

Our other income increased by 149.4% from RMB163.5 million for the six months ended June 30, 2024 to RMB407.7 million for the six months ended June 30, 2025, primarily due to (i) an increase in income-related government grants, mainly related to enterprise development support and innovation capability incentives, from RMB76.1 million for the six months ended June 30, 2024 to RMB263.5 million for the six months ended June 30, 2025, and (ii) an increase in assets-related government grants from RMB44.2 million for the six months ended June 30, 2024 to RMB70.5 million for the six months ended June 30, 2025, as incentive for investing in manufacturing facilities.

Other Gains and Losses

We recorded other gains of RMB15.7 million for the six months ended June 30, 2024 and other gains of RMB3.3 million for the six months ended June 30, 2025, primarily due to (i) an increase in loss on discounting receivables at FVTOCI from RMB2.5 million for the six months ended June 30, 2024 to RMB8.6 million for the six months ended June 30, 2025, and (ii) a decrease in fair value gain on financial assets at FVTPL from RMB17.8 million for the six months ended June 30, 2024 to RMB11.9 million for the six months ended June 30, 2025.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 33.4% from RMB142.4 million for the six months ended June 30, 2024 to RMB190.0 million for the six months ended June 30, 2025, primarily due to (i) an increase in staff costs from RMB77.1 million for the six months ended June 30, 2024 to RMB95.7 million for the six months ended June 30, 2025 as a result of the expansion of our overseas sales team to support our global market expansion, (ii) an increase in other expenses from RMB13.1 million for the six months ended June 30, 2024 to RMB30.9 million for the six months ended June 30, 2025, primarily due to our expanded sales and marketing activities, which were generally in line with our growing business scale, and (iii) an increase in marketing expenses from RMB24.5 million for the six months ended June 30, 2024 to RMB31.5 million for the six months ended June 30, 2025 due to increased overseas exhibition and event expenses.

Administrative Expenses

Our administrative expenses increased by 49.2% from RMB327.8 million for the six months ended June 30, 2024 to RMB489.1 million for the six months ended June 30, 2025, primarily due to (i) an increase in staff costs from RMB141.9 million for the six months ended June 30, 2024 to RMB206.1 million for the six months ended June 30, 2025 as a result of the increased number of administrative staff to support our continued business expansion and capacity increases, (ii) an increase in consulting service expenses from RMB17.8 million for the six months ended June 30, 2024 to RMB49.0 million for the six months ended June 30, 2025 to support our growing business scale, and (iii) an increase in depreciation and amortization expenses from RMB44.5 million for the six months ended June 30, 2024 to RMB72.8 million for the six months ended June 30, 2025 arising from our newly added land and facilities.

Research and Development Expenses

Our research and development expenses remained relatively stable at RMB265.6 million and RMB271.4 million for the six months ended June 30, 2024 and 2025, respectively.

Impairment Losses under Expected Credit Loss Model

Our impairment losses under ECL model, net of reversal, decreased by 67.5% from RMB89.0 million for the six months ended June 30, 2024 to RMB28.9 million for the six months ended June 30, 2025, primarily due to the decrease in our trade and other receivables.

Share of Results of Associates

We recorded share of losses of associates of RMB5.8 million for the six months ended June 30, 2024 and share of profits of associates of RMB0.8 million for the six months ended June 30, 2025. The fluctuations reflect our share of profits and losses from investments in associates.

Finance Costs

Our finance costs increased by 14.4% from RMB165.2 million for the six months ended June 30, 2024 to RMB189.0 million for the six months ended June 30, 2025, primarily due to an increase in interest on bank and other borrowings from RMB169.0 million for the six months ended June 30, 2024 to RMB191.2 million for the six months ended June 30, 2025 as a result of increased bank and other borrowings to support our business expansion.

Income Tax Credit

We recorded income tax credit of RMB130.5 million for the six months ended June 30, 2024. For the six months ended June 30, 2025, despite recording profit before tax, we recorded income tax credit of RMB60.7 million, which was primarily due to a deferred tax credit of RMB143.8 million and an over provision in prior years of RMB24.0 million, partially offset by current tax of RMB107.1 million.

(Loss)/Profit for the Period

As a result of the foregoing, we recorded net loss of RMB608.2 million for the six months ended June 30, 2024 and net profit of RMB212.8 million for the six months ended June 30, 2025.

Year Ended December 31, 2024 Compared with Year Ended December 31, 2023

Revenue

Our revenue increased by 26.6% from RMB10,201.8 million in 2023 to RMB12,916.8 million in 2024, primarily due to the growth in revenue from energy storage systems.

ESS Batteries

Our revenue generated from our ESS batteries remained relatively stable from RMB7,957.2 million in 2023 to RMB7,960.6 million in 2024, primarily due to the increased sales volume of our ESS batteries from 15.6GWh in 2023 to 28.3GWh in 2024; partially offset by the decrease in average selling price of ESS batteries from RMB0.51/Wh to RMB0.28/Wh primarily due to a decrease in raw material prices and in response to market competition.

Energy Storage Systems

Our revenue generated from sales of energy storage systems increased significantly by 136.7% from RMB1,973.2 million in 2023 to RMB4,670.5 million in 2024, primarily due to an increase in our sales volume of our energy storage systems from 2.2GWh in 2023 to 5.3GWh in 2024, which was primarily attributable to the significant increase in overseas sales as a result of our global expansion efforts.

Cost of Sales

Our cost of sales increased by 18.3% from RMB8,964.0 million in 2023 to RMB10,608.2 million in 2024, primarily due to an increase in material costs from RMB7,111.3 million in 2023 to RMB8,169.1 million in 2024 as a result of a significant increase in sales volume of our energy storage products.

ESS Batteries

Our cost of sales of ESS batteries increased by 4.0% from RMB6,963.9 million in 2023 to RMB7,241.4 million in 2024, primarily due to an increase in material cost for producing ESS batteries, driven by the increased sales of our ESS batteries.

Energy Storage Systems

Our cost of sales of energy storage systems increased by 80.9% from RMB1,712.0 million in 2023 to RMB3,096.8 million in 2024, primarily due to an increase in material cost driven by the increased overseas sales of our energy storage systems.

Gross Profit and Gross Profit Margin

As a result of the above, our gross profit increased by 86.5% from RMB1,237.8 million in 2023 to RMB2,308.6 million in 2024 and our gross profit margin increased from 12.1% in 2023 to 17.9% in 2024.

Our gross profit generated from ESS batteries decreased by 27.6% from RMB993.3 million in 2023 to RMB719.3 million in 2024, due to a reduced average selling price as a result of a decline in raw material prices and in response to market competition. Our gross profit margin of ESS batteries decreased from 12.5% in 2023 to 9.0% in 2024, primarily due to a decrease of averaging selling price of ESS batteries primarily as a result of a decrease in raw material prices and in response to market competition.

Our gross profit generated from energy storage systems increased by 502.5% from RMB261.2 million in 2023 to RMB1,573.7 million in 2024, mainly driven by increased sales from energy storage systems. Our gross profit margin of energy storage systems increased from 13.2% in 2023 to 33.7% in 2024, primarily due to the increased sales of energy storage systems overseas in 2024 which entailed comparatively higher gross profit margin.

Other Income

Our other income increased by 106.9% from RMB243.1 million in 2023 to RMB502.9 million in 2024, primarily due to an increase in government grants to support our manufacturing and R&D activities from RMB101.0 million in 2023 to RMB414.1 million in 2024.

Other Gains and Losses

We recorded other losses of RMB1,718.3 million in 2023 and other gains of RMB21.0 million in 2024, primarily because we recorded fair value loss on puttable shares liabilities of RMB1,715.8 million in 2023, which was nil in 2024, as the obligations arising from the redemption rights and liquidation preferences attached to relevant shares were terminated in 2023.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 26.2% from RMB240.4 million in 2023 to RMB303.2 million in 2024, primarily due to an increase in staff costs from RMB97.9 million in 2023 to RMB141.7 million in 2024 as a result of the increased number of sales staff to support our expansion of sales in overseas markets.

Administrative Expenses

Our administrative expenses increased by 11.2% from RMB710.3 million in 2023 to RMB789.8 million in 2024, primarily due to an increase in depreciation and amortization expenses from RMB52.4 million in 2023 to RMB96.5 million in 2024 primarily as a result of increased property space to support our business expansion, partially offset by a decrease in staff costs as a result of our enhanced efficiency.

Research and Development Expenses

Our research and development expenses increased by 9.3% from RMB484.9 million in 2023 to RMB530.0 million in 2024, primarily due to (i) an increase in staff costs from RMB210.1 million in 2023 to RMB264.5 million in 2024 primarily as a result of the recruitment of additional senior R&D staff in 2024 to support our R&D activities, and (ii) an increase in depreciation and amortization expenses resulting from the addition of new research and development equipment from RMB68.9 million in 2023 to RMB105.0 million in 2024.

Impairment Losses under Expected Credit Loss Model

Our impairment losses under ECL model, net of reversal, increased from RMB171.2 million in 2023 to RMB532.3 million in 2024, primarily due to the increase in our trade and other receivables. See "— Discussion of Key Balance Sheet Items — Trade, Bills and Other Receivables" in this section for more details.

Share of Results of Associates

We recorded share of losses of associates of RMB3.2 million in 2023 and RMB20.2 million in 2024. The fluctuations reflect our share of profits and losses from investments in associates.

Finance Costs

Our finance costs increased by 62.6% from RMB206.4 million in 2023 to RMB335.7 million in 2024, primarily due to an increase in interest on bank and other borrowings from RMB243.5 million in 2023 to RMB342.2 million in 2024 as a result of increased bank and other borrowings to support our business expansion.

Income Tax (Credit)/Expense

We recorded income tax credit of RMB78.8 million in 2023 and income tax expense of RMB26.7 million in 2024, respectively.

(Loss)/Profit for the Year

As a result of the foregoing, we recorded net loss of RMB1,975.0 million in 2023 and net profit of RMB287.6 million in 2024.

Year Ended December 31, 2023 Compared with Year Ended December 31, 2022

Revenue

Our revenue increased by 182.2% from RMB3,614.9 million in 2022 to RMB10,201.8 million in 2023, primarily due to the strong growth in revenue from both ESS batteries and energy storage systems.

ESS Batteries

Our revenue generated from sales of ESS batteries increased significantly by 213.5% from RMB2,538.3 million in 2022 to RMB7,957.2 million in 2023, primarily due to an increase in our sales volume from 3.3GWh in 2022 to 15.6GWh in 2023 of our ESS batteries, partially offset by the decrease in average selling price of ESS batteries from RMB0.77/Wh to RMB0.51/Wh primarily due to a decline in raw material prices and in response to market competition. The increase in our sales volume was primarily due to (i) the increase in demand for our ESS batteries and our continued efforts in marketing and promoting our products, and (ii) the increased production volume of our products with the expansion of production capacity as our production has been ramping up.

Energy Storage Systems

Our revenue generated from sales of energy storage systems increased by 117.0% from RMB909.5 million in 2022 to RMB1,973.2 million in 2023, primarily due to an increase in our sales volume from 1.0GWh in 2022 to 2.2GWh in 2023 of our energy storage systems. The increase in our sales volume was primarily due to the increase in demand for our energy storage systems and our continued efforts in marketing and promoting our products.

Cost of Sales

Our cost of sales increased by 179.7% from RMB3,204.6 million in 2022 to RMB8,964.0 million in 2023, primarily due to an increase in material costs from RMB2,630.3 million in 2022 to RMB7,111.3 million in 2023 as a result of a significant increase in sales volume of our energy storage products.

ESS Batteries

Our cost of sales of ESS batteries increased by 207.3% from RMB2,266.0 million in 2022 to RMB6,963.9 million in 2023, primarily due to (i) an increase in material cost for producing ESS batteries, and (ii) an increase in manufacturing cost, both driven by the increased sales of our ESS batteries.

Energy Storage Systems

Our cost of sales of energy storage systems increased by 121.5% from RMB773.1 million in 2022 to RMB1,712.0 million in 2023, primarily due to (i) an increase in material cost, and (ii) an increase in manufacturing cost, both driven by the increased sales of our energy storage systems.

Gross Profit and Gross Profit Margin

As a result of the above, our gross profit increased significantly by 201.7% from RMB410.3 million in 2022 to RMB1,237.8 million in 2023 and our gross profit margin increased from 11.3% in 2022 to 12.1% in 2023. This is primarily driven by the increased gross profit and gross profit margin for ESS batteries.

Our gross profit generated from ESS batteries increased by 264.8% from RMB272.3 million in 2022 to RMB993.3 million in 2023, and gross profit margin of ESS batteries increased from 10.7% in 2022 to 12.5% in 2023. The increase of gross profit margin of ESS batteries was primarily because we achieved improved economies of scale with the expansion of our production capacity, and we established a further optimized and highly efficient manufacturing process to improve manufacturing efficiency.

Our gross profit generated from energy storage systems increased by 91.4% from RMB136.4 million in 2022 to RMB261.2 million in 2023, and gross profit margin of energy storage systems slightly decreased from 15.0% in 2022 to 13.2% in 2023, respectively.

Other Income

Our other income increased significantly by 921.9% from RMB23.8 million in 2022 to RMB243.1 million in 2023, primarily due to (i) an increase in government grants from RMB11.2 million in 2022 to RMB101.0 million in 2023 to support our manufacturing and R&D activities, (ii) an increase in income from interest of our bank deposit from RMB11.3 million in 2022 to RMB81.5 million in 2023, and (iii) an extra deduction of VAT of RMB51.7 million recorded in 2023.

Other Gains and Losses

Our other losses increased by 33.0% from RMB1,291.5 million to RMB1,718.3 million in 2023, primarily due to an increase of fair value loss on puttable shares liabilities from RMB1,290.5 million in 2022 to RMB1,715.8 million in 2023 in relation to the shares held by our [**REDACTED**] Investors.

Selling and Marketing Expenses

Our selling and marketing expenses increased significantly by 241.7% from RMB70.3 million in 2022 to RMB240.4 million in 2023, primarily due to (i) an increase in staff costs from RMB33.8 million in 2022 to RMB97.9 million in 2023 as a result of the increased number of sales staff to support our increased marketing efforts and business expansion, (ii) an increase in marketing expenses from RMB20.8 million in 2022 to RMB80.0 million in 2023 due to our increased marketing and branding activities, and (iii) an increase in travel expenses of our staff from RMB4.9 million in 2022 to RMB31.3 million in 2023 as a result of our increased marketing activities.

Administrative Expenses

Our administrative expenses increased by 8.7% from RMB653.2 million in 2022 to RMB710.3 million in 2023, primarily due to an increase in staff costs from RMB140.4 million in 2022 to RMB382.2 million in 2023 as a result of the increased number of administrative staff to support our growing business scale, which was partially offset by a decrease in share-based payment from RMB381.8 million in 2022 to RMB34.0 million in 2023, primarily due to a large number of shares being granted and immediately vested under our [**REDACTED**] share incentive scheme in 2022.

Research and Development Expenses

Our research and development expenses increased by 145.7% from RMB197.4 million in 2022 to RMB484.9 million in 2023, primarily due to (i) an increase in staff costs from RMB85.0 million in 2022 to RMB210.1 million in 2023 as a result of the increased number of R&D staff to support our increased R&D activities, and (ii) an increase in material costs from RMB38.4 million in 2022 to RMB85.7 million in 2023 as a result of our increased R&D activities.

Impairment Losses under Expected Credit Loss Model

We record net reversal of impairment losses under ECL model of RMB0.5 million in 2022, and impairment losses under ECL model, net of reversal, of RMB171.2 million in 2023, primarily due to the increase in our trade and other receivables in 2023.

Share of Results of Associates

We recorded share of profits of associates of RMB1.9 million in 2022, and share of losses of associates of RMB3.2 million in 2023. The fluctuations reflect our share of profits and losses from investments in associates.

Finance Costs

Our finance costs increased significantly by 218.9% from RMB64.7 million in 2022 to RMB206.4 million in 2023, primarily due to an increase in interest on bank and other borrowings from RMB71.9 million in 2022 to RMB243.5 million in 2023 as a result of increased bank and other borrowings to support our business expansion.

Income Tax Credit

We recorded income tax credit of RMB63.8 million and RMB78.8 million in 2022 and 2023, respectively.

Loss For the Year

As a result of the foregoing, our net losses increased by 11.2% from RMB1,776.9 million in 2022 to RMB1,975.0 million in 2023.

DISCUSSION OF KEY BALANCE SHEET ITEMS

The following table sets forth a summary of consolidated balance sheet as of the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	(RMB in thousands)			
NON-CURRENT ASSETS				
Property, plant and equipment	3,375,607	9,011,100	9,925,295	10,881,167
Right-of-use assets	383,973	434,821	787,196	766,662
Goodwill	1,351	1,351	1,351	1,351
Intangible assets	23,410	31,128	52,145	58,194
Investments accounted for using the equity method	153,579	253,220	281,491	281,139
Financial assets at fair value through profit or losses ("FVTPL")	–	–	–	10,000
Equity instrument at FVTOCI	100	206	206	206

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Restricted bank deposits	5,963	6,096	6,131	–
Trade, bills and other receivables	–	–	785,301	461,927
Contract assets	–	5,327	59,849	190,775
Deferred tax assets	108,451	187,263	326,029	458,469
Other long-term prepayments	630,378	309,679	236,477	313,263
Time deposits	–	323,712	332,992	336,831
Total non-current assets	**4,682,812**	**10,563,903**	**12,794,463**	**13,759,984**
Total current assets	**5,326,440**	**13,460,737**	**18,655,973**	**20,936,131**
Total current liabilities	**9,291,565**	**9,742,677**	**14,440,018**	**17,530,725**
NET CURRENT (LIABILITIES) ASSETS	**(3,965,125)**	**3,718,060**	**4,215,955**	**3,405,406**
TOTAL ASSETS LESS CURRENT LIABILITIES	**717,687**	**14,281,963**	**17,010,418**	**17,165,390**
NON-CURRENT LIABILITIES				
Bank and other borrowings	1,992,290	4,985,814	6,325,023	6,038,024
Provisions	44,829	179,316	469,491	556,357
Lease liabilities	21,639	47,795	87,771	79,969
Deferred income	295,955	1,016,819	1,651,275	1,793,143
Deferred tax liabilities	–	–	18,753	7,383
	2,354,713	**6,229,744**	**8,552,313**	**8,474,876**
NET (LIABILITIES) ASSETS	(1,637,026)	8,052,219	8,458,105	8,690,514
CAPITAL AND RESERVES				
Share capital	166,768	1,021,923	1,021,923	1,094,745
Reserves	(1,872,940)	6,663,295	6,944,503	7,103,433
Equity attributable to owners of the Company	(1,706,172)	7,685,218	7,966,426	8,198,178
Non-controlling interests	69,146	367,001	491,679	492,336
TOTAL (DEFICIT) EQUITY	**(1,637,026)**	**8,052,219**	**8,458,105**	**8,690,514**

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

	As of December 31,			As of June 30,	As of August 31,
	2022	2023	2024	2025	2025
					(unaudited)
			(RMB in thousands)		
Current assets					
Inventories	1,967,667	1,420,455	2,125,115	4,296,685	5,670,706
Trade, bills and other receivables	646,900	5,124,504	9,334,739	9,181,954	9,212,772
Contract assets	43,709	155,249	269,902	326,033	348,965
Tax recoverable	–	7,232	–	6,520	9,959
Financial assets at fair value Through profit or losses ("FVTPL")	–	549,012	–	–	1,043,623
Receivables at FVTOCI	176,494	65,320	310,826	472,629	355,751
Restricted bank deposits	239,183	854,464	2,321,608	2,696,498	3,605,690
Time deposits	–	–	–	50,500	30,000
Cash and cash equivalents	2,252,487	5,284,501	4,293,783	3,905,312	2,712,437
Total current assets	**5,326,440**	**13,460,737**	**18,655,973**	**20,936,131**	**22,989,903**
Current liabilities					
Trade, bills and other payables	2,645,040	6,475,575	9,825,968	10,940,218	12,083,418
Tax payables	–	–	146,800	91,574	79,382
Bank and other borrowings	1,112,430	3,105,333	3,657,588	4,932,032	5,413,057
Provisions	5,922	35,172	71,394	95,553	100,740
Lease liabilities	21,422	26,517	48,267	39,866	35,525
Contract liabilities	595,610	100,080	685,490	1,431,482	2,032,019
Financial liabilities at FVTPL	4,911,141	–	4,511	–	–
Total current liabilities	**9,291,565**	**9,742,677**	**14,440,018**	**17,530,725**	**19,744,141**
Net current (liabilities) assets	**(3,965,125)**	**3,718,060**	**4,215,955**	**3,405,406**	**3,245,762**

We recorded net current liabilities of RMB3,965.1 million as of December 31, 2022 and net current assets of RMB3,718.1 million as of December 31, 2023, primarily due to (i) an RMB4,477.6 million increase in trade, bills and other receivables due to the increased sales of our products; (ii) an RMB3,032.0 million increase in cash and cash equivalents, and (iii) an RMB4,911.1 million decrease in financial liabilities at FVTPL; and partially offset by (i) an RMB3,830.5 million increase in trade, bills and other payables due to an increase in procurement of raw materials; and (ii) an RMB1,992.9 million increase in bank and other borrowings.

Our net current assets increased from RMB3,718.1 million as of December 31, 2023 to RMB4,216.0 million as of December 31, 2024, primarily due to (i) an RMB4,210.2 million increase in trade, bills and other receivables due to an increase in sales of our products; (ii) an RMB1,467.1 million increase in restricted bank deposits; and partially offset by (i) an RMB3,350.4 million increase in trade, bills and other payables due to an increase in procurement of raw materials and to increase our production volume to meet increasing customer demand; and (ii) an RMB585.4 million increase in contract liabilities.

Our net current assets decreased from RMB4,216.0 million as of December 31, 2024 to RMB3,405.4 million as of June 30, 2025, primarily due to (i) an RMB1,274.4 million increase in bank and other borrowings; (ii) an RMB1,114.3 million increase in trade, bills and other payables, generally in line with our expanded production and procurement; (iii) an RMB746.0 million increase in contract liabilities in line with our business expansion; and partially offset by an RMB2,171.6 million increase in inventories resulting from higher stock levels to support our expanded business scale.

Our net current assets decreased from RMB3,405.4 million as of June 30, 2025 to RMB3,245.8 million as of August 31, 2025, primarily due to (i) an RMB1,192.9 million decrease in cash and cash equivalents; (ii) an RMB1,143.2 million increase in trade, bills and other payables due to increased procurement activities to support expanded production; (iii) an RMB600.5 million increase in contract liabilities reflecting advance payments from customers; and partially offset by (i) an RMB1,374.0 million increase in inventories resulting from higher stock levels to support our business expansion; (ii) an RMB1,043.6 million increase in financial assets at FVTPL.

Property, Plant and Equipment

Our property, plant and equipment primarily include of buildings, plant and machinery, office equipment, motor vehicles, leasehold improvements and construction in progress. We had property, plant and equipment of RMB3,375.6 million, RMB9,011.1 million, RMB9,925.3 million and RMB10,881.2 million as of December 31, 2022, 2023, 2024 and June 30, 2025, 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 June 30,
	2022	**2023**	**2024**	**2025**
	(RMB in thousands)			
Freehold land	–	–	29,091	28,970
Buildings	803,259	3,698,411	4,420,209	4,401,575
Plant and machinery	964,459	3,825,991	4,670,216	4,602,084
Office equipment	26,137	99,692	86,751	76,135
Motor vehicles	4,233	5,694	6,703	6,131
Leasehold improvements	16,333	32,538	33,115	33,022
Construction in progress	1,561,186	1,348,774	679,210	1,733,250
Total	**3,375,607**	**9,011,100**	**9,925,295**	**10,881,167**

Our property, plant and equipment increased by 166.9% from RMB3,375.6 million as of December 31, 2022 to RMB9,011.1 million as of December 31, 2023, then increased by 10.1% to RMB9,925.3 million as of December 31, 2024 and further increased by 9.6% to RMB10,881.2 million as of June 30, 2025, primarily due to increased construction of certain manufacturing and R&D projects and recognized substantial buildings, plants and machinery in relation to those projects according to their construction progress in 2023 and 2024.

Right-of-Use Assets

Our right-of-use assets primarily relate to our leasehold lands, staff quarters, and office properties. Our right-of-use assets increased from RMB384.0 million as of December 31, 2022 to RMB434.8 million as of December 31, 2023, further increased by 81.0% to RMB787.2 million as of December 31, 2024 and remained relatively stable at RMB766.7 million, the overall increase was primarily in relation to the land use right we obtained to support our business growth.

Intangible Assets

Our intangible assets primarily include of licenses and software. Our intangible assets increased from RMB23.4 million as of December 31, 2022 to RMB31.1 million as of December 31, 2023 was primarily due to addition of pollutant discharge permits for operation needs. Our intangible assets increased by 67.5% from RMB31.1 million as of December 31, 2023 to RMB52.1 million as of December 31, 2024 and further increased by 11.6% to RMB58.2 million as of June 30, 2025, primarily due to addition of software as we increased investment in development of information technology systems.

Investments Accounted For Using the Equity Method

Our investments accounted for using the equity method amounted to RMB153.6 million, RMB253.2 million, RMB281.5 million and RMB281.1 million as of December 31, 2022, 2023, 2024 and June 30, 2025, respectively. The change in our investments accounted for using the equity method throughout the Track Record Period relates primarily to the operational and financial performance of our associates, as well as additions and transfers of our associates.

Other Long-term Prepayments

Our other long-term prepayments primarily represent advance payments made for construction projects. Our other long-term prepayments decreased by 50.9% from RMB630.4 million as of December 31, 2022 to RMB309.7 million as of December 31, 2023, and further decreased by 23.6% to RMB236.5 million as of December 31, 2024, which was mainly due to the utilization of such prepayments. Our other long-term prepayments increased by 32.5% from RMB236.5 million as of December 31, 2024 to RMB313.3 million as of June 30, 2025, primarily due to our additional advance payments made for new construction projects.

Deferred Tax Assets

Our deferred tax assets were generally recognized for unused tax losses and all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Our deferred tax assets increased from RMB108.5 million as of December 31, 2022 to RMB187.3 million as of December 31, 2023, primarily due to the recognition of deferred tax assets corresponding to newly recognized deferred income. Our deferred tax assets increased from RMB187.3 million as of December 31, 2023 to RMB326.0 million as of December 31, 2024, primarily in relation to impairment losses on credits. Our deferred tax assets increased from RMB326.0 million as of December 31, 2024 to RMB458.5 million as of June 30, 2025, primarily due to an increase in deferred tax assets related to accelerated tax depreciation, deferred income and unrealized profits.

Inventories

Our inventories mainly consist of (i) raw materials and consumables, (ii) work in progress, and (iii) finished goods.

The following table sets forth a breakdown of our inventories balances as of the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Raw materials and consumables	1,026,336	337,422	289,278	172,876
Work in progress	180,445	185,581	629,421	849,135
Finished goods	760,886	897,452	1,206,416	3,274,674
Total	**1,967,667**	**1,420,455**	**2,125,115**	**4,296,685**

Our inventories decreased from RMB1,967.7 million as of December 31, 2022 to RMB1,420.5 million as of December 31, 2023, primarily due to a decrease in raw materials and consumables, and we maintained a lower volume of such items following improved inventory management and better control in 2023. Our inventories increased from RMB1,420.5 million as of December 31, 2023 to RMB2,125.1 million as of December 31, 2024, primarily due to an increase of work in progress and finished goods because of a higher production volume in anticipation of the increased sales which led to an increase of reserve of such items as of the end of 2024. Our inventories increased from RMB2,125.1 million as of December 31, 2024 to RMB4,296.7 million as of June 30, 2025, primarily due to higher production volume to meet anticipated sales demand.

The table below sets forth an aging analysis of our inventories as of the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Within one year	1,949,315	1,365,627	2,058,677	4,255,543
Over one year	18,352	54,828	66,438	41,142
Total	**1,967,667**	**1,420,455**	**2,125,115**	**4,296,685**

The following table sets forth our inventory turnover days for the year/period indicated.

	For the year ended December 31,			For the six months ended June 30,
	2022	2023	2024	2025
	(days)			
Inventory turnover days[(1)]	124.1	72.0	64.9	100.7

Note:

(1) Inventory turnover days equal the average of the beginning and ending inventory for the period divided by the cost of sales of the same period and multiplied by 365 days for a full-year period or 183 days for a six-month period.

We implement stringent controls and periodically review on inventory efficiency. In 2022, 2023, and 2024, our inventory turnover days were 124.1 days, 72.0 days, and 64.9 days, respectively. The steady decline in our inventory turnover days from 2022 to 2024 was primarily because we enhanced inventory management in an effort to improve our warehousing efficiency. Our inventory turnover days increased from 64.9 days in 2024 to 100.7 days for the six months ended June 30, 2025, primarily due to our increased inventory levels to support future business growth, as well as our operations are partially subject to seasonality and cost of sales in the first half of the year was lower than the second half.

As of August 31, 2025, RMB1,932.9 million, or 43.7% of our inventories outstanding as of June 30, 2025, had been subsequently consumed.

Our inventories are primarily within one year. Inventories aged over one year mainly include finished goods, which consist primarily of ESS batteries and energy storage systems, and raw materials, such as energy storage batteries, lithium iron phosphate, copper aluminum foil and finished goods of batteries and systems. Both raw materials and finished goods generally have long validity period and can be utilized in production or for sales over a year. As of December 31, 2022, 2023, 2024 and the six months ended June 30, 2025, our balance of provision for write-down of inventories amounted to approximately RMB34.6 million, RMB115.1 million, RMB114.5 million and RMB129.1 million, respectively, representing approximately 1.7%, 7.5%, 5.1% and 2.9% of our gross inventories balance as of the same dates. Considering that (i) our inventories aged over one year were raw materials and finished goods generally have long validity period; and (ii) our average inventory turnover days during the Track Record Period were 124.1 days, 72.0 days, 64.9 days and 100.7 days, which were in line with the industry norm, according to CIC, our Directors are of the view that there is no recoverability issue with respect to our inventories aged over one year.

Trade, Bills and Other Receivables

Our trade, bills and other receivables primarily consist of sales of our products on credit. We typically grant a credit term of one to six months to eligible customers.

The following table sets forth the details of our trade, bills and other receivables as of the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Trade receivables from contracts with customers				
– Third parties	222,822	4,139,461	8,974,763	8,385,241
Less: allowance for credit losses	(1,712)	(146,231)	(661,288)	(683,234)
– Related parties	2,124	27,549	1,094	811
Less: allowance for credit losses	(65)	(853)	(69)	(22)
	223,169	4,019,926	8,314,500	7,702,796
Less: amounts shown under current assets	(223,169)	(4,019,926)	(7,529,199)	(7,240,869)
Amounts shown under non-current assets[1]	–	–	785,301	461,927
Bills receivables	222,804	216,283	836,907	1,021,826
Advances to suppliers[2]	43,596	607,737	556,229	602,078
VAT recoverable	148,172	254,741	368,758	255,889
Deferred issue cost	–	–	–	9,328
Other receivables	10,914	30,964	46,687	55,767
Less: allowance for credit losses	(1,755)	(5,147)	(3,041)	(3,803)
	200,927	888,295	968,633	919,259
Total	**646,900**	**5,124,504**	**10,120,040**	**9,643,881**

Notes:

(1) During the year ended December 31, 2024, our Group entered into agreements to provide certain customers with long-term payment schedules for the related sales of energy storage systems. These trade receivables carried prevailing market interest rates and were classified as non-current as the related receivables will be collected beyond twelve months.

(2) Advances to suppliers mainly represents (i) payments to purchase raw materials and machinery, and (ii) utility fees.

Our trade, bills and other receivables increased from RMB646.9 million as of December 31, 2022 to RMB5,124.5 million as of December 31, 2023, and further increased to RMB10,120.0 million as of December 31, 2024, primarily due to an increase of trade receivables, net of impairment loss allowance, from RMB223.2 million as of December 31, 2022 to RMB4,019.9 million as of December 31, 2023 and further to RMB8,314.5 million as of December 31, 2024, which was primarily due to the growth of our overall business. Our trade, bills and other receivables remained relatively stable at RMB10,120.0 million and RMB9,643.9 million as of December 31, 2024 and June 30, 2025, respectively.

Our current portion of bills receivables remained relatively stable at RMB222.8 million as of December 31, 2022 and RMB216.3 million as of December 31, 2023, respectively. Our bills receivables increased from RMB216.3 million as of December 31, 2023 to RMB836.9 million as of December 31, 2024 and further to RMB1,021.8 million as of June 30, 2025, primarily due to the increase in sales of our energy storage products.

Our advances to suppliers significantly increased from RMB43.6 million as of December 31, 2022 to RMB607.7 million as of December 31, 2023 primarily due to an increase in our prepayment to purchase raw materials, mainly lithium carbonate, as (i) we experienced an increase in consumption of relevant raw materials in manufacturing ESS batteries, which was in line with our business expansion in 2023, (ii) we entered into procurement framework agreement to ensure a stable supply and lock in price discounts considering the fluctuated prices of relevant raw materials in 2022. Our advances to suppliers decreased from RMB607.7 million as of December 31, 2023 to RMB556.2 million as of December 31, 2024, to the decrease in prepaid procurement of relevant raw materials as a result of the change in supply-demand dynamics. Our advances to suppliers increased from RMB556.2 million as of December 31, 2024 to RMB602.1 million as of June 30, 2025 primarily due to an increase in prepayments for materials resulting from increased procurement volume.

As of August 31, 2025, RMB88.4 million, or 14.7% of our advances to suppliers outstanding as of June 30, 2025, had been subsequently settled.

We generally allow a credit period ranging from 1 to 6 months to our customers, which is in line with industry norm, according to CIC. Additionally, to facilitate the expansion of our overseas business, we may offer diversified customer payment terms. The following tables sets forth the aging analysis of our trade receivables and bill receivables, net of impairment loss allowance, as of the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Trade receivables				
0 to 180 days	219,461	3,749,813	6,780,039	3,951,692
181 days to one year	2,546	257,790	262,660	3,145,228
Over one year	1,162	12,323	1,271,801	605,876
	223,169	**4,019,926**	**8,314,500**	**7,702,796**

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Bill receivables				
0 to 180 days	222,804	216,283	836,907	1,021,826
	222,804	**216,283**	**836,907**	**1,021,826**

Our trade receivables aged 0 to 180 days decreased from RMB6,780.0 million as of December 31, 2024 to RMB3,951.7 million as of June 30, 2025, primarily due to (i) our domestic operations are partially subject to seasonality and the revenue in the first half of the year was lower than the second half; and (ii) accelerated customer payment collection under favorable market conditions.

Our trade receivables aged 181 days to one year significantly increased from RMB262.7 million as of December 31, 2024 to RMB3,145.2 million as of June 30, 2025, primarily due to the substantial revenue growth in the second half of 2024 and the increased diversity of customer payment terms.

Our trade receivables aged over one year increased from RMB1.2 million as of December 31, 2022 to RMB12.3 million as of December 31, 2023, and further increased to RMB1,271.8 million as of December 31, 2024, primarily due to accommodation of more flexible payment arrangements to support customers in managing extended project timelines and associated delays in collections from their downstream counterparties. Our trade receivables aged over one year decreased from RMB1,271.8 million as of December 31, 2024 to RMB605.9 million as of June 30, 2025, primarily due to settlements received from certain customers.

The following table sets forth our trade receivables turnover days for the year/period indicated.

	For the year ended December 31,			For the six months ended June 30,
	2022	2023	2024	2025
	(days)			
Trade receivables turnover days[1]	11.8	78.6	185.7	227.9

Note:

(1) Trade receivables turnover days for the period equal the average of the beginning and ending trade receivables for the period divided by revenue for the same period and multiplied by 365 days for a full-year period or 183 days for a six-month period.

In 2022, 2023, and 2024, our trade receivables turnover days were 11.8 days, 78.6 days, 185.7 days and 227.9 days, respectively, which are in line with industry norm, according to CIC. The increase in our trade receivables turnover days during the Track Record Period was mainly due to rapid growth of our revenue in which the relating trade receivables balances increased proportionally and more diversified settlement terms, including our accommodation of more flexible payment terms with overseas customers as we further expand into overseas markets.

As of August 31, 2025, RMB2,135.3 million, or 22.7% of our trade and bills receivables outstanding as of June 30, 2025, had been subsequently settled.

We do not anticipate to have any material recoverability issue with outstanding trade receivables primarily because (i) we assess our customers' credit quality carefully, taking into account their business background and qualifications, years of establishment, general risks associated with their businesses, financial position, revenue scale, past transaction records and other factors; (ii) our trade receivables are mainly aged within 180 days and owed by customers with good credit profiles and no history of material defaults on their payment obligations in the past; (iii) we have not experienced any material recoverability issues for our trade receivables throughout the Track Record Period; (iv) we have established a credit rating system for our customers, which are dynamically adjusted based on their operating condition; (v) we have been closely and regularly monitoring our customers' credit profiles, business operations and financial conditions, considering project development status and significant changes (such as corporate restructuring, major lawsuits, substantial shifts in market demand, or large fluctuations in product prices), and taking appropriate proactive follow-up actions; and (vi) we also closely monitor the recoverability status of trade receivables, and enhance our collection efforts, including but not limited to sending demand letters or initiating legal proceedings, as appropriate.

Additionally, we believe adequate credit loss allowances have been made to appropriately reflect the recoverability issues identified, as (i) we made credit loss allowances primarily based on the results of our comprehensive impairment assessment as performed on each reporting date (which takes into account the historical payment profiles, historical credit loss rates by industry and data published by external credit rating institution, adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables), and (ii) we made credit loss allowances individually once any recoverability issues with particular customers were identified.

Given that we have been continuously monitoring the collection of the trade receivables and the payment schedule on a regular basis, and our trade receivables are mainly aged within 180 days and owed by customers with good credit profiles and no history of material defaults on their payment obligations in the past, our Directors are of the view that we have made adequate provisions and there is no material recoverability issue as to our trade receivables.

Financial Assets at Fair Value through Profit or Loss

Our financial assets measured at fair value through profit or loss primarily include our investments in financial products managed by several financial institutions. All investments have maturity date within one year. The structured deposits are redeemed upon maturity in the year ended December 31, 2024. We had financial assets measured at fair value through profit or loss of nil, RMB549.0 million, nil and RMB10.0 million as of December 31, 2022, 2023 and 2024, and June 30, 2025, respectively.

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. Our finance department is responsible for the analysis and research of investment in wealth management products based on our cash positions. Investment decisions on wealth management products must be approved by our chief financial officer. Redemption of wealth management products prior to their maturity must be initiated by finance department and approved by our chief financial officer. These policies and measures were formulated and implemented by our finance center, and the implementation of our investment policies and measures was supervised by our Board. 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**].

Trade, Bills and Other Payables

Our trade and bills payables represent the expenses payable by us to third-party suppliers for settlement for their services or products provided. Our trade payables are normally settled within 180 days. The following table sets forth the details of our trade, bills and other payables as of the dates indicated.

	As of December 31,			As of June 30,
	2022	**2023**	**2024**	**2025**
	(RMB in thousands)			
Trade payables				
– Third parties	1,079,676	2,794,961	5,096,020	5,949,926
Bills payables	344,904	510,766	1,709,050	2,204,939
	1,424,580	**3,305,727**	**6,805,070**	**8,154,865**

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Accrued payroll and welfare	90,598	154,335	218,898	155,787
Other taxes payables	59,107	305,634	436,543	172,128
Payables for property and equipment	983,319	2,486,456	1,919,268	1,976,921
Payables for intangible assets	8,092	1,102	4,039	2,770
Transportation fee payables	17,150	73,497	179,304	132,520
Payments received for subscription of restricted shares(1)	–	–	–	102,000
Other payables(2)	62,194	148,824	262,846	243,227
	1,220,460	3,169,848	3,020,898	2,785,353
Total	**2,645,040**	**6,475,575**	**9,825,968**	**10,940,218**

Notes:

(1) The amount represented the payments received for subscription of restricted shares from the Directors and employees. For details, see note 28 to the Accountants' Report included in Appendix I of the Document.

(2) Other payables mainly included deposits received and payables to in respect of performance guarantee from and certain services and expenses for business purpose to certain vendors/suppliers of our Group.

Our trade and bills payables increased significantly from RMB1,424.6 million as of December 31, 2022 to RMB3,305.7 million as of December 31, 2023, then increased to RMB6,805.1 million as of December 31, 2024 and further increased to RMB8,154.9 million as of June 30, 2025, primarily due to an increase in procurement of raw materials to meet increasing customer demand.

Our accrued payroll and welfare increased from RMB90.6 million as of December 31, 2022 to RMB154.3 million as of December 31, 2023, and further increased to RMB218.9 million as of December 31, 2024, primarily due to an increase in staff headcount and salary level to support our business growth. Our accrued payroll and welfare decreased from RMB218.9 million to RMB155.8 million as of June 30, 2025, primarily due to the payment of bonuses that were accrued as of December 31, 2024. Our other taxes payables increased from RMB59.1 million as of December 31, 2022 to RMB305.6 million as of December 31, 2023 and further increased to RMB436.5 million as of December 31, 2024, which is in line with our expanded scale of business operation. Our other taxes payables decreased from RMB436.5 million as of December 31, 2024 to RMB172.1 million as of June 30, 2025, primarily due to the settlement of customs duties accrued as of December 31, 2024 and lower customs duty accruals resulting from decreased overseas revenue in the first half of 2025 compared to the second half of 2024. Our payables for property and equipment increased from RMB983.3 million as of December 31, 2022 to RMB2,486.5 million as of December 31, 2023, primarily due to the increased purchase of property and equipment for construction of certain manufacturing and R&D projects, and decreased to RMB1,919.3 million as of December 31, 2024, primarily due to our settlement of relevant amount. Our payables for property and equipment remained relatively stable at RMB1,919.3 million and RMB1,976.9 million as of December 31, 2024 and June 30, 2025, respectively.

Payment terms with suppliers are mainly on credit within 180 days from the time when the goods are received from the suppliers, which is in line with industry norm, according to CIC. The following tables sets forth the aging analysis of our trade payables as of the dates indicated.

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	(RMB in thousands)			
0 to 180 days	1,071,098	2,778,090	4,949,229	5,811,135
181 days to one year	8,072	14,191	85,047	134,620
Over one year	506	2,680	61,744	4,171
Total	**1,079,676**	**2,794,961**	**5,096,020**	**5,949,926**

The following table sets forth our trade and bills payables turnover days for the year/period indicated.

	For the year ended December 31,			As of June 30,
	2022	2023	2024	2025
	(days)			
Trade and bills payables turnover days(1)	82.7	96.3	173.9	226.1

Note:

(1) Trade and bills payables turnover days for the period equal the average of the beginning and ending trade and bills payables for the period divided by cost of sales for the same period and multiplied by 365 days for a full-year period or 183 days for a six-month period.

In 2022, 2023, and 2024, our trade and bills payables turnover days were 82.7 days, 96.3 days, 173.9 days and 226.1 days, respectively, which are in line with industry norm, according to CIC. The increase in our trade and bill payables turnover days was primarily due to (i) our increase in procurement of raw materials in 2024 and for the six months ended June 30, 2025, in which the relating trade payables increased proportionally, and (ii) certain suppliers extending our credit terms, as we established strong cooperative relationships with them.

As of August 31, 2025, RMB3,856.7 million, or 47.3% of our trade and bills payables outstanding as of June 30, 2025, had been subsequently settled.

Contract Assets

During the Track Record Period, we recorded contract assets from the sales of products, the receipt of the consideration of which is conditional. Contract assets will be transferred to receivables upon the expiration of warranty period when we have unconditional right to receive consideration from the customers. Our contract assets increased from RMB43.7 million as of December 31, 2022 to RMB160.6 million as of December 31, 2023, then to RMB329.8 million as of December 31, 2024, and further to RMB516.8 million as of June 30, 2025, primarily due to the growth of our overall business and sales of our energy storage products during the Track Record Period.

Lease Liabilities

Lease liabilities mainly represent the amount to be paid for the leases of staff quarters and office properties. We recorded non-current lease liabilities of RMB21.6 million, RMB47.8 million, RMB87.8 million, RMB80.0 million and RMB80.7 million as of December 31, 2022, 2023 and 2024, June 30, 2025, and August 31, 2025, the latest feasible date for determining our indebtedness, respectively. We recorded current lease liabilities of RMB21.4 million, RMB26.5 million, RMB48.3 million, RMB39.9 million and RMB35.5 million as of the same dates. The fluctuation reflects adjustments in our leasing arrangements over time, including termination or renewal of certain leases, addition of new leased properties, or changes in lease terms.

Financial Liabilities at FVTPL

Financial liabilities at FVTPL represents (i) puttable shares liabilities related to shares held by our [**REDACTED**] Investors and (ii) derivative financial liabilities. Our financial liabilities at FVTPL were RMB4,911.1 million, nil, RMB4.5 million and nil as of December 31, 2022, 2023 and 2024 and June 30, 2025, respectively. The decrease in 2023 was primarily because the obligations arising from the redemption rights and liquidation preferences attached to relevant shares were terminated in 2023.

Contract Liabilities

Our contract liabilities mainly represent our advance received to deliver products. Our contract liabilities decreased from RMB595.6 million as of December 31, 2022 to RMB100.1 million as of December 31, 2023, primarily due to a decrease in advance payments from our customers as we required less advance payments and more progress payments from customers. Our contract liabilities increased from RMB100.1 million as of December 31, 2023 to RMB685.5 million as of December 31, 2024, primarily due to an increase in advance payments for orders overseas. Our contract liabilities increased from RMB685.5 million as of December 31, 2024 to RMB1,431.5 million as of June 30, 2025, primarily due to an increase in advance payments from customers resulting from our business expansion.

As of August 31, 2025, approximately RMB422.0 million, or 29.5%, of our contract liabilities as of June 30, 2025 had been recognized as revenue.

Deferred Income

Our deferred income mainly represents government grants we received to support research and other activities. Our deferred income was RMB296.0 million, RMB1,016.8 million, RMB1,651.3 million and RMB1,793.1 million as of December 31, 2022, 2023 and 2024 and June 30, 2025, respectively.

Deferred Tax Liabilities

Our deferred tax liabilities mainly arise from accelerated depreciation of fixed assets. Our deferred tax liabilities were nil, nil, RMB18.8 million and RMB7.4 million as of December 31, 2022, 2023 and 2024 and June 30, 2025, respectively.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements primarily through cash generated from our business operations, bank loans, and shareholder contributions. Following the [**REDACTED**], we plan to finance our future capital requirements through cash generated from our business operations, the net [**REDACTED**] from the [**REDACTED**], and, if needed, additional future equity or debt financings.

Cash Flows

The following table sets forth a summary of our cash flows for the year/period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2022	2023	2024	2024	2025
			(RMB in thousands)		
				(unaudited)	
Net cash (used in) from operating activities	(260,065)	(1,746,358)	109,784	(283,403)	1,353,481
Net cash used in investing activities	(2,541,405)	(4,905,291)	(2,623,797)	(1,700,613)	(2,571,452)
Net cash from financing activities	4,971,257	9,683,164	1,522,149	906,921	823,074
Net increase (decrease) in cash and cash equivalents	2,169,787	3,031,515	(991,864)	(1,077,095)	(394,897)

	For the year ended December 31,			For the six months ended June 30,	
	2022	2023	2024	2024	2025
			(RMB in thousands)		
				(unaudited)	
Cash and cash equivalents at the beginning of the year/period	82,660	2,252,487	5,284,501	5,284,501	4,293,783
Effect of foreign exchange rate changes	40	499	1,146	666	6,426
Cash and cash equivalents at the end of the year/period	2,252,487	5,284,501	4,293,783	4,208,072	3,905,312

Net Cash from/(Used in) Operating Activities

For the six months ended June 30, 2025, our net cash from operating activities was RMB1,353.5 million, which was primarily attributable to our profit before tax of RMB152.1 million, as adjusted by non-cash and other items to arrive at an operating cash inflows before movements in working capital of RMB437.8 million. Our movements in working capital primarily reflected (i) an increase in trade, bills and other receivables of RMB278.1 million, primarily due to settlements received from certain customers; and (ii) an increase in trade, bills and other payables of RMB3,310.0 million, primarily due to an increase in procurement of raw materials to meet increasing customer demand; partially offset by (i) an increase in inventories of RMB1,927.2 million to support our business expansion.

In 2024, our net cash from operating activities was RMB109.8 million, which was primarily attributable to our profit before tax of RMB314.3 million, as adjusted by non-cash and other items to arrive at an operating cash inflows before movements in working capital of RMB1,431.6 million. Our movements in working capital primarily reflected (i) an increase in trade, bills and other payables of RMB3,913.8 million, primarily due to an increase in procurement of raw materials to meet increasing customer demand, and (ii) an increase in contract liabilities of RMB585.4 million; partially offset by (i) an increase in trade, bills and other receivables of RMB5,405.1 million, primarily due to an increase in sales of our energy storage products which contributed to the large balance of trade receivables as of the end of 2024, and (ii) an increase in inventories of RMB329.1 million, primarily due to higher production volume to meet anticipated sales demand.

In 2023, our net cash used in operating activities was RMB1,746.4 million, which was primarily attributable to our loss before tax of RMB2,053.8 million, as adjusted by non-cash and other items to arrive at an operating cash inflows before movements in working capital of RMB374.4 million. Our movements in working capital primarily reflected (i) an increase in trade, bills and other receivables of RMB4,619.2 million, primarily due to an increase in trade receivables as a result of the increased sales, and (ii) a decrease in contract liabilities of RMB495.5 million, primarily due to a decrease in advance payments from our customers; partially offset by an increase in trade, bills and other payables of RMB2,330.4 million, primarily due to an increase in procurement of raw materials to meet increasing customer demand.

In 2022, our net cash used in operating activities was RMB260.1 million, which was primarily attributable to our loss before tax of RMB1,840.6 million, as adjusted by non-cash and other items to arrive at an operating cash outflows before movements in working capital of RMB81.9 million. Our movements in working capital primarily reflected (i) an increase in inventories of RMB1,760.3 million, primarily due to the increase in our production capacity and sales volume as in 2022, and the corresponding increase in the provision of inventories in order to meet the business demand, and (ii) an increase in trade, bills and other receivables of RMB416.1 million, primarily due to an increase in trade receivables as a result of the increased sales; partially offset by an increase in trade, bills and other payables of RMB1,582.0 million, primarily due to an increase in procurement of raw materials to meet increasing customer demand, and the corresponding increase in procurement payables.

Net Cash Used in Investing Activities

For the six months ended June 30, 2025, our net cash used in investing activities was RMB2,571.5 million, primarily attributable to (i) purchases of property, plant and equipment of RMB1,383.3 million, and (ii) net placement of restricted bank deposits of RMB1,357.9 million.

In 2024, our net cash used in investing activities was RMB2,623.8 million, primarily attributable to (i) placement of restricted bank deposits of RMB2,629.0 million for issuance of bills payables and letters of credit, and (ii) purchase of property, plant and equipment of RMB2,176.7 million, partially offset by proceeds from disposal of financial assets at FVTPL of RMB584.4 million.

In 2023, our net cash used in investing activities was RMB4,905.3 million, primarily attributable to (i) purchases of property, plant and equipment of RMB4,152.6 million, and (ii) net placement of financial assets at FVTPL of RMB535.4 million.

In 2022, our net cash used in investing activities was RMB2,541.4 million, primarily attributable to (i) purchases of property, plant and equipment of RMB2,153.7 million, and (ii) net placement of restricted bank balance of RMB237.9 million.

Net Cash from Financing Activities

For the six months ended June 30, 2025, our net cash from financing activities was RMB823.1 million, primarily attributable to proceeds from bank and other borrowings of RMB2,711.9 million, partially offset by repayments of bank borrowings of RMB1,840.6 million.

In 2024, our net cash from financing activities was RMB1,522.1 million, primarily attributable to proceeds from bank and other borrowings of RMB5,016.4 million, partially offset by repayments of bank borrowings of RMB3,197.7 million.

In 2023, our net cash from financing activities was RMB9,683.2 million, primarily attributable to (i) proceeds from bank and other borrowings of RMB6,302.5 million, and (ii) proceeds from issue of shares of RMB4,694.9 million, partially offset by repayments of borrowings of RMB1,339.1 million.

In 2022, our net cash from financing activities was RMB4,971.3 million, primarily attributable to (i) proceeds from issue of shares of RMB2,691.0 million, and (ii) proceeds from bank and other borrowings of RMB2,413.6 million, partially offset by repayments of bank borrowings of RMB120.7 million.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account the financial resources available to our Group, including cash and cash equivalents, unutilized banking facilities, estimated net [**REDACTED**] from the [**REDACTED**] and the expected cash flows from operations, we have sufficient working capital for our current requirements and for the next 12 months from the date of this Document.

INDEBTEDNESS

The following table sets forth our indebtedness as of the dates indicated.

	As of December 31,			As of June 30,	As of August 31,
	2022	2023	2024	2025	2025
					(unaudited)
			(RMB in thousands)		
Current:					
Bank and other borrowings	1,112,430	3,105,333	3,657,588	4,932,032	5,413,057
Lease liabilities	21,422	26,517	48,267	39,866	35,525

	As of December 31,			As of June 30,	As of August 31,
	2022	2023	2024	2025	2025
					(unaudited)
	(RMB in thousands)				
Financial liabilities at FVTPL – puttable shares liabilities	4,911,141	–	–	–	–
	6,044,993	**3,131,850**	**3,705,855**	**4,971,898**	**5,448,582**
Non-current:					
Bank and other borrowings	1,992,290	4,985,814	6,325,023	6,038,024	6,181,928
Lease liabilities	21,639	47,795	87,771	79,969	80,686
	2,013,929	**5,033,609**	**6,412,794**	**6,117,993**	**6,262,614**
Total	**8,058,922**	**8,165,459**	**10,118,649**	**11,089,891**	**11,711,196**

	As of December 31,			As of June 30,
	2022	2023	2024	2025
	Per annum	*Per annum*	*Per annum*	*Per annum*
Effective interest rates:				
Fixed-rate borrowings	3.40%-6.00%	3.20%-6.00%	2.60%-6.00%	1.85%-6.00%
Variable-rate borrowings	3.65%-4.35%	1.14%-4.20%	1.14%-4.10%	2.45%-3.95%

Bank and Other Borrowings

Our bank and other borrowings were RMB3,104.7 million, RMB8,091.1 million, RMB9,982.6 million, RMB10,970.1 million and RMB11,595.0 million as of December 31, 2022, 2023 and 2024, June 30, 2025 and August 31, 2025, respectively. Substantially all of our bank loans are denominated in RMB and are adjusted according to our operational needs. Certain of our bank loans and other borrowings are secured by (i) our certain property, plant and equipment and right-of-use assets and (ii) our equity interest in one subsidiary. Certain bank and other borrowings were guaranteed by shareholders of our Company, while such guarantee from shareholders of our Company were canceled in 2024.

For more details, see note 29 to the Accountants' Report included in Appendix I of the Document.

Our Directors confirm that as of the Latest Practicable Date, the agreements under our borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no defaults in bank loans and other borrowings, nor did we breach any covenants (that were not waived) during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in obtaining credit facilities, or withdrawal of facilities or requests for early repayment.

As of August 31, 2025, being the latest feasible date for determining our indebtedness, we had unutilized bank facilities of RMB5,239.3 million. Certain of the bank loan agreements we have entered into contain covenants that impose certain common restrictions or maintenance requirements on us, which we believe will not affect our utilization of the remaining balance of this secured banking facilities.

Our Directors confirm that there has not been any material change in our indebtedness since August 31, 2025 and as of the date of this Document.

Lease Liabilities

As of August 31, 2025, our lease liabilities amounted to RMB116.2 million. For details of our lease liabilities during the Track Record Period, see "— Discussion of Key Balance Sheet Items — Lease Liabilities."

CAPITAL EXPENDITURES

Our historical capital expenditures have primarily been related to purchases of property, plant and equipment for construction and purchases of right-of-use assets, and purchases of intangible assets. Our capital expenditures were RMB2,467.0 million, RMB4,196.1 million, RMB2,501.6 million and RMB1,401.7 million for the year ended December 31, 2022, 2023 and 2024 and for the six months ended June 30, 2025, respectively.

The following table sets forth our capital expenditures for the year/period indicated.

	For the year ended December 31,			For the six months ended June 30,
	2022	2023	2024	2025
	(RMB in thousands)			
Property, plant and equipment	2,153,700	4,152,613	2,176,735	1,383,333
Intangible assets	18,995	14,614	23,580	18,135
Right-of-use assets	294,316	28,875	301,293	184
Total	**2,467,011**	**4,196,102**	**2,501,608**	**1,401,652**

We expect to finance our capital expenditures through cash generated from operations, shareholder contributions, bank loans and the net [**REDACTED**] from the [**REDACTED**]. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, market conditions and various other factors. See also "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]."

CONTRACTUAL OBLIGATIONS

We did not have outstanding contractual obligations as of August 31, 2025, being the latest feasible date for determining our indebtedness.

CONTINGENT LIABILITIES

As of December 31, 2022, 2023 and 2024 and June 30, 2025, we did not have any material contingent liabilities. 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 or other contingent liabilities as of the latest practicable date for our indebtedness statement.

Our Directors confirm that, as of the Latest Practicable Date, there had no material change in our indebtedness since August 31, 2025. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and as of the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the year/period indicated.

	For the year ended December 31,			For the six months ended June 30,
	2022	2023	2024	2025
Gross profit margin (%)	11.3	12.1	17.9	13.1
Net profit margin (%)	(49.2)	(19.4)	2.2	3.1
Return on equity (%)(1)	NM(3)	NM(3)	3.4	NM(7)
Return on assets (%)(2)	NM(3)	NM(3)	0.9	NM(7)
Debt-to-asset ratio (%)(4)	116.4	66.5	73.1	75.0
Current ratio(5)	0.6	1.4	1.3	1.2
Quick ratio(6)	0.4	1.2	1.1	0.9

Notes:

(1) Return on equity is calculated as profit for the relevant year/period divided by the ending balance of total equity, then multiplied by 100%.

(2) Return on assets is calculated as profit for the relevant year/period divided by the ending balance of total assets, then multiplied by 100%.

(3) NM (Not Meaningful): As a net loss was recorded for the relevant year, this figure is not meaningful.

(4) Debt-to-asset ratio is calculated as total liabilities at the end of the year/period divided by total assets, then multiplied by 100%.

(5) Current ratio is calculated as total current assets at the end of the year/period divided by total current liabilities.

(6) Quick ratio is calculated as total current assets at the end of the year/period minus inventories, then divided by total current liabilities.

(7) NM (Not Meaningful): Ratios based on six-month period results are not comparable with annual ratios.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions set out in note 43 to the Accountants' Report included in Appendix I of the Document was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as Shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We monitor our exposure on an ongoing basis and will consider hedging interest rate risk should the need arises. We are exposed to fair value interest rate risk in relation to, fixed-rate cash and cash equivalents, bank and other borrowings, and lease liabilities, and cash flow interest rate risk in relation to floating-rate restricted bank deposits, cash and cash equivalents and bank and other borrowings. For details, see note 42 to the Accountants' Report included in Appendix I to this Document.

Credit Risk

We consider all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes. Our credit risk primarily attributable to our trade, bills and other receivables, receivables at FVTOCI, restricted bank deposits, time deposits and bank balances. In order to minimize the credit risk, our management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. For details, see note 42 to the Accountants' Report included in Appendix I of the Document.

Liquidity Risk

We monitor and maintains a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. For details, see note 42 to the Accountants' Report included in Appendix I of the Document.

DIVIDENDS

No dividend has been paid or declared by our Company during the Track Record Period.

We may declare and pay dividends that we consider appropriate. The dividends will be primarily in the form of cash or shares. Decisions to declare or to pay any dividends in the future, will depend on, among other things, our profitability, operation and development plans, external financing environment, costs of capital, our cash flows and other factors that our Directors may consider relevant. Future dividend payments will also depend upon the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of our after-tax profits, less appropriations to statutory and other reserves that we are required to make. As advised by our PRC Legal Adviser, we shall not pay dividends to our Shareholders until we have made up for accumulated losses. Distributions from the Company and our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future. Our Directors has the discretion to recommend any dividend. We do not have any pre-determined dividend payout ratio. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, which sets forth our dividend policy, applicable PRC laws and approval by our Shareholders. See "Risk Factors — Risks Relating to the [**REDACTED**]" for more details.

DISTRIBUTABLE RESERVES

As of June 30, 2025, we did not have any distributable reserves.

[**REDACTED**]

Based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], the total [**REDACTED**] (including [**REDACTED**]) payable by our Company are estimated to be approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), or [**REDACTED**]% of our gross [**REDACTED**], assuming the [**REDACTED**] is not exercised. These [**REDACTED**] comprise of (i) HK$[**REDACTED**] of [**REDACTED**] expenses (including but not limited to [**REDACTED**] and fees); and (ii) HK$[**REDACTED**] of [**REDACTED**], including HK$[**REDACTED**] of fees and expenses of legal advisors and accountants and HK$[**REDACTED**] of other fees and expenses.

As of June 30, 2025, we have incurred [**REDACTED**] of RMB[**REDACTED**] (equivalent to HK$[**REDACTED**]) for the [**REDACTED**], as being charged to our consolidated statements of profit or loss and other comprehensive income. We estimate that of the total [**REDACTED**] (including [**REDACTED**], assuming the [**REDACTED**] is not exercised and based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]), HK$[**REDACTED**] is expected to be charged to our consolidated statements of profit or loss and other comprehensive income and HK$[**REDACTED**] is expected to be charged against equity upon the [**REDACTED**].

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

Please refer to "Appendix II — Unaudited [**REDACTED**] Financial Information" for further details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the Latest Practicable Date, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since June 30, 2025, the end of the period reported on the Accountants' Report included in Appendix I to this Document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to disclosure required under Rules 13.13 to 13.19 of the Listing Rules.